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CHILD NUTRITION PROGRAMS: REAUTHORIZATION AND BUDGET ISSUES

HEARING

BEFORE THE

SUBCOMMITTEE ON NUTRITION

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-NINTH CONGRESS

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THURSDAY, MAY 2, 1985

U.S. SENATE,
SUBCOMMITTEE ON NUTRITION,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The subcommittee met, at 9:40 a.m., in room SR 328-A, Russell Senate Office Building, Hon. Rudy Boschwitz presiding.

Present: Senators Helms, Hawkins, Boschwitz, Harkin, Dixon, and Melcher.

Also present: Senators Wilson and Zorinsky.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. I am pleased to be chairing this Nutrition Subcommittee hearing this morning. Although the Senate Agriculture Committee has a full agenda this year, I feel it is important that we fulfill our responsibilities to these programs that are due to be reauthorized as well.

The child nutrition programs which must be reauthorized include the WIC Programs, the Special Supplemental Summer Food Program, the State Administrative Expense Program, the Commodity Distribution Program, and the Nutrition Education and Training Program. We also have to spend some time today hearing testimony, of some of the child nutrition programs that are permanently authorized, including School Lunch and the Child Care Food Programs.

A hearing on child nutrition programs cannot ignore the budget proposals which would make comprehensive changes in these programs as they are battling away over there on the floor. As a member of the Senate Agriculture Committee, I joined the Nutrition Subcommittee in 1983 purposely because of my interest and concern about the issues of nutrition and hunger and the Federal role in addressing those problems. I came to the Senate on the promise of controlling the growth of Federal spending. We are faced with the difficult task of restraining the growth of the Federal budget so we can ensure that our children and grandchildren are not left with a legacy of debt, while at the same time, we have to ensure that those who are truly in need of Federal nutritional assistance continue to receive help.

Our first witness this morning is John Bode, Deputy Assistant Secretary of Agriculture for the Food and Nutrition Service.

Come on, John, sit over here if you will.

Then we will have two panels.

Ms. Gene White will be in the first panel. I believe she has been here before, as well, if I am not mistaken; Mrs. Rita Hamman and Dr. Louis Smith; and then the second panel consisting of Kevin Kill, Patricia Rife, and Ed Cooney.

We are restrained by the rules of the Senate this morning. The majority leader has stated that hearings shall not go beyond 2 hours after the Senate comes into session. I believe we are supposed to come into session at 9:30 this morning. I do not see that we are in session, however. Are we going in session?

In any case, we will conclude, as a good discipline, the hearing by 11:30 in any event.

STATEMENT OF HON. JOHN BODE, DEPUTY ASSISTANT SECRETARY, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY GEORGE BRALEY, DEPUTY ADMINISTRATOR FOR SPECIAL NUTRITION PROGRAMS

Mr. BODE. Thank you, Senator Boschwitz.

It is good to be here. In light of our time constraints, I will be pleased to summarize my statement.[1]

Senator BOSCHWITZ. Yes.

Mr. BODE. Thank you for the invitation to be here to discuss the administration's budget and legislative proposals for fiscal year 1986. We look forward to working with you in the coming months as we undertake the necessary and challenging task of maintaining vital services to the Nation's less fortunate while restraining Federal spending so that our enormous deficit can be reduced.

I am accompanied by George Braley, our Deputy Administrator for Special Nutrition Programs.

Before describing our proposals for fiscal year 1986, some comments about our recent experiences are in order. During fiscal year 1984, the School Lunch Program provided more than 3.8 billion lunches to students. Of these lunches, 49 percent were served to nonneedy students, 6.5 percent were reduced price, and 44.5 percent were served to free category students. The cash reimbursement and commodity entitlement to schools was almost $3 billion. In addition, these schools received almost $440 million in bonus commodities.

Senator BOSCHWITZ. Pardon me.

Senator Hawkins, do you have an opening statement?

Senator HAWKINS. I certainly do. I would like to submit it for the record. I am conducting a hearing at 10 o'clock.[2]

Senator BOSCHWITZ. If you would like to make the opening statement or submit it for the record, Mr. Bode has just started.

Senator HAWKINS. I apologize for interrupting.

Senator BOSCHWITZ. We are pleased to have you.

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[1] See p. 49 for the prepared statement of Mr. Bode.

[2] See p. 48 for the prepared statement of Senator Hawkins.

STATEMENT OF HON. PAULA HAWKINS, A U.S. SENATOR FROM FLORIDA

Senator HAWKINS. I want to thank you for holding this hearing.

Senator Boschwitz has a great reputation for his interest in child nutrition. I firmly believe that adequate child nutrition is a building block upon which a child's development depends, and I will be offering an amendment in the next few days to restore the School Lunch Program to current services, and I hope all Senators will read the testimony that your witnesses are going to deliver today before they make their minds up on how they will vote on the restoration of that nutrition money.

I want to thank you very much for holding this hearing, Mr. Chairman.

Senator BOSCHWITZ. So, Mr. Bode, about half the students were nonneedy and 44.5 percent were served free, 6.5 percent served with a subsidy or reduced price rather, and the total cost is about $3 billion.

Mr. BODE. Plus an additional $440 million worth of bonus commodities, Senator, and that is an area that we have expanded greatly, where surplus commodities are made available to schools in as great a quantity as they can use without waste.

In addition to these activities, the School Breakfast Program, the Child Care Food Program, the Summer Food Service Program and the Special Milk Program continue to operate at a high level. Total Federal child nutrition funding in 1984 was $3.9 billion, not including donations of bonus commodities. Under current law we expect Federal funding to be $4.2 billion in 1985 and $4.5 billion in 1986. Our fiscal year 1986 proposals would reduce anticipated 1986 Federal funding by $686 million.

I would like to describe now some of the features of the administration's fiscal year 1986 budget and legislative proposals. Before doing so, however, I must point out that the Senate leadership's compromise with the administration, if adopted, would supersede in some respects the earlier proposals I am about to describe. The compromise would discontinue the cash portion only of the paid category meal subsidy, and it would limit the cost of living adjustments to 2 percent for each of 3 years. Like the administration's original budget, it would require a means test for family day care homes.

The February budget request proposes to forego the cost-of-living adjustment for all child nutrition programs in 1986 in order to slow the growth of the programs and restrain Federal spending. Since the cost of producing meals in the child nutrition programs has grown slower than inflation in recent years, schools should be able to absorb the costs of this 1-year freeze without hardship. Data from several studies of the child nutrition programs indicates that the cost of producing a meal increased 7 percent between 1979 and 1983, while during the same period the subsidies for free meals increased by 21 percent from $1.09 in the fall of 1979 to about $1.32 in school year 1983–84.

This change will account for only 5 percent of savings, or $38 million in 1986.

Since child nutrition subsidies go directly to institutions and not to individuals, needy children will not be affected by the 1-year COLA freeze and will continue to receive free meals. Changes, if any, to the reduced price category would be small since, on an average, reduced price students now pay 37 cents for their meals, and the 40 cent cap on reduced price charges would remain.

WIC, however, will be exempted from the 1-year freeze policy. We propose to support WIC Program participation at the current services level of about 3 million persons per month in fiscal year 1985 and thereafter. This stabilization in participation is important following a 60-percent growth in caseload since 1980. For example, one in five infants now receives WIC benefits. However, over half the WIC caseload is composed of children ages 1 to 5 for whom the nutritional benefits of WIC are not well documented.

The administration is proposing reauthorization of the Summer Food Service Program, the School Breakfast Program, the Child Care Food Program, the WIC Program, the Food Distribution Program, the State Administrative Expense Funding, and the Nutrition Education and Training Program.

We believe the Federal responsibility for nutrition aid should be primarily extended to ensuring access to adequate nutrition for the poor and near-poor, rather than giving generous meal subsidies to households which can easily afford to finance their children's meals.

Therefore, we are proposing to focus program benefits on lower income children by discontinuing the cash and entitlement commodity subsidies to schools and institutions for meals served to participants from nonneedy families in all child nutrition programs. This would save $648 million in fiscal year 1986. In the case of the Child Care Food Program, we would reintroduce a means test for households with children in family day care homes. This would be about $150 million of the savings is fiscal 1986. At present, about 65 percent of family day care home participants come from families with incomes above 185 percent of poverty, yet they receive free meals. Our proposal would restore the means test that existed prior to 1980. Since then, family day care homes have shifted dramatically toward serving upper income children. This change would restore equity between day care centers and homes since meals served to nonneedy children will not be reimbursed in centers. Since day care home providers already must pass a means test to qualify their own children for the program, this would not be a new and unfamiliar requirement to implement.

Currently, the law requires the Federal Government to pay schools and child care centers 24 cents in cash and commodity subsidies for each lunch served to participants from households with incomes exceeding 185 percent of poverty, nearly $20,000 for a family of four. We propose to eliminate these subsidies for such households. Institutions would, however, continue to receive about 10 cents worth of bonus dairy commodities for each meal served

I want to emphasize, Mr. Chairman, that no child eligible for a free lunch would be affected by our proposal. Students from upper income households, of course, would still be able to purchase a nutritious lunch meeting Federal standards. Even without the Federal subsidy, the school lunch will be a bargain, costing on the aver-

age only slightly more than a dollar. As I indicated earlier, the reduced price charge cannot exceed 40 cents by law.

We are not impressed with such predictions of catastrophe that have been made about this proposal. These claims were made in 1981 but did not materialize. In part, we are not impressed because they ignore the facts of the present situation and the effects of the Omnibus Budget Reconciliation Act of 1981.

What actually happened?

To begin with, there were school and student participation declines, which had absolutely nothing to do with the subsidy reductions made in 1981. School enrollment declined by 4.4 percent from September 1980 to September 1984. Because of this, we would have expected a decline in participation of about 1.1 million children even with no legislative changes in 1981. Furthermore, because of declining enrollments, some schools either closed or were consolidated, resulting in the termination of some school lunch programs.

We submit you should not be misled by those who claim that these declines in participation were caused solely by the 1981 subsidy reductions.

There were between 50,000 and 100,000 participants in the high tuition private schools which were excluded from participating in the school lunch programs as a result of legislative changes in 1981. This, combined with the 1.1 million reduction in participation as a result of declining school enrollment, resulted in a decrease of 1.2 million participants.

Our data show that average daily school lunch participation in fiscal year 1981 was 25.8 million. After a decline in fiscal year 1982, participation in fiscal year 1985 has recovered to about 24 million. This is a decrease of about 1.8 million participants compared to fiscal year 1981. As we have already indicated, 1.2 million of this decrease can be due to declining school enrollment and the exclusion of certain private schools. That leaves approximately 600,000 lunch program dropouts.

The implementation of income verification techniques which studies indicate lowered erroneous free and reduced price participation from roughly 25 to 12 percent, has also affected the mix of free, reduced price and paid participants. This dramatic reduction caused as many as 1.6 million participants who received free or reduced price lunches to change their participation status. These changes were reflected in the following shifts:

From free participation to reduced price, paid or nonparticipant status and, second, from reduced price participation to paid or nonparticipant status.

Particularly with respect to free and reduced price category declines, we believe most, if not all, of the heretofore unexplained participation declines are due to the shift of those who previously were receiving free and reduced price school lunches even though they were not eligible because their family income was too high.

Based on this analysis, we believe that only a portion of the reduction in participation since 1981 is due to OBRA. We further believe that this slight reduction which can be attributed to OBRA was caused primarily by the exclusion of high tuition, private schools and the deterrence of fraudulent participation by families with incomes over 185 percent of the poverty line.

We would emphasize that Federal subsidies for lower income children account for 85 percent of current school lunch expenditures, $2.7 billion in fiscal 1985. Under proposed legislation, school food service operations will continue to receive considerable income from Federal nutrition programs. Also schools will continue to receive bonus commodities, which account for about 30 percent of the current subsidy to institutions for upper income and middle-income students.

Let me give you some examples. A school with 50 percent paid and 50 percent free participants will retain 87 percent of its present cash subsidy as well as entitlement and bonus commodities. A school with 80 percent paid and 20 percent free participants will retain 66 percent of its present total subsidy. For local officials in schools with these low proportions of free participants to close the School Lunch Program because of the elimination of the upper income subsidies would require not only moral callousness but economic stupidity. To forfeit such large Federal subsidies would be politically hazardous as well.

Turning to another of our proposals, we continue to be distressed by the inappropriateness of our Federal regional offices administering child nutrition programs simply because the States choose not to do so. We believe that it makes sense to require States to administer these programs unless they are prohibited by law. If a State is prohibited by law from administering these programs, we propose to give the Secretary authority to contract out their administration using a proportional share of the State's administrative expense funds to pay for the contracts. Regional office program administration drains scarce Federal manpower and is not an appropriate Federal role. It has long been a State responsibility to make these programs available to its citizens.

That concludes my formal statement, Mr. Chairman. Of course, I would be pleased to try to answer any questions that you or Senator Melcher have.

Senator BOSCHWITZ. Do many States prohibit their own people from administering such a program?

Mr. BODE. There are several programs affected, Senator. We have a total of 22 States that do not administer. The prohibition——

Senator BOSCHWITZ. One program?

Mr BODE. One program or another.

In the child care area, 10 States; in the Summer Program, 16 States; in the School Lunch Program which is primarily private schools, 16 States and——

Senator BOSCHWITZ. School?

Mr. BODE. But that is private schools primarily. So a total of 22 different States do not administer one or more.

There are some States that feel they are prohibited by law, but it is not real clear. Others, one or two, feel they have a State constitutional prohibition. We think the State should administer it. If there is a question about their ability to administer it, it is appropriate for the Federal Government to contract, to have the authority to contract for the provision of those services using State administrative expense funds.

Senator BOSCHWITZ. I am curious. I thought I had not heard that before.

Senator Melcher, you came in just in the midst of the testimony. Do you have an opening statement you would like to make?

Senator MELCHER. No; I have no opening statement, Mr. Chairman. I do have some questions of Mr. Bode.

Senator BOSCHWITZ. Before we get to your questions, Senator, let me ask Senator Dixon if he has an opening statement.

Senator DIXON. Mr. Chairman, I have a very brief statement. I just ask leave if I may place it in the record.[1]

Senator BOSCHWITZ. Without objection.

Senator Dole also has a statement and it will be inserted in the record.[1]

Senator Melcher, in that case why do you not proceed with your questions. We have a relatively limited time because the majority leader says that we should conclude all hearings within 2 hours of the outset of the Senate. I suppose we will be going in there pretty pronto. So, I think we will have adequate time, but I just make that caution at the outset.

Senator MELCHER. My questions will be very brief. The question is whether the witnesses will be very long in answering.

Mr. Bode, does it not seem a little bit embarrassing to be part of a budget request that says we do not want any inflation increase per kid in what he has to eat, but we do want an inflation increase plus 3 percent for national defense?

Mr. BODE. Not at all, Senator. The COLA freeze proposal affects the subsidies provided to institutions, and it is because those subsidies have gone up more quickly over the last several years than the actual cost of providing meals that we think it is particularly appropriate for the COLA freeze to be applied to the school food programs as well.

Senator MELCHER. In other words, the cost of food and the cost of preparing that food has gone up by a lower rate of inflation than those extraneous washers and pliers and hammers and other things that cost exorbitant amounts?

Mr. BODE. The costs are provided——

Senator MELCHER. Those very expensive things are coming down, is that the point?

Mr. BODE. I guess the point is, Senator, the studies that have been done indicate the cost of providing a meal has gone up slower than the subsidies that have been provided for the free meals and, of course——

Senator MELCHER. And less than the cost of the weapons have gone up, is that it?

Mr. BODE. I guess I would like to make one other point about this lunch program and that is, of course, that children from low-income families are going to continue to receive their school lunches free of charge, and the reduced-price category, those children from families with incomes between 130 and 185 percent of the poverty level, up to about $20,000 for a family of four, will continue to pay no more than 40 cents per lunch which, of course, is clearly the best bargain in town.

Senator MELCHER. Indeed, it is the best bargain in town.

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[1] See p. 47 for the prepared statement of Senator Dole, and p. 49 for the prepared statement of Senator Dixon.

What restrains people from participating in it is the means test that has been placed in the law. There has been a dramatic increase in children in the poverty group of families. My people in Montana tell me, and I do not know whether we are typical and maybe you know better, maybe we are not typical, that numbers are dropping off and they think it is because of the means test. It is a pretty harsh thing for a lot of families to identify themselves as being in poverty. I would suggest that we are probably entering a time when school enrollment in some areas is going to increase, if not nationally, in some areas dramatically increase. I just read an article where they predict a 19,000 teacher shortage within a couple of years in this area. So this must be one of the areas where school enrollment is not on the decrease; it is increasing.

Mr. BODE. Senator, I am eager to understand your concern. Free participation is declining this year in Montana? Is that what I understand?

Senator MELCHER. You did correctly understand me, and they believe it is because of the means test. People who are on unemployment checks do not want to admit that they are now in the poverty level. I understand that. I think you do too, Mr. Bode.

Mr. BODE. Senator, I believe this is the third year of basically the same income verification activities, and the only change in the means test or the most recent one was in 1981. Of course, that went into effect for the 1981–82 school year. So I do not see any changes in the program that would account for that kind of change in participation from a free category this year. I hope the economy is improving in Montana.

Senator MELCHER. Well, it is not. And what is happening is that people run out of those unemployment checks and their savings, and their situation is much worse. I cannot vouch for the country, but I will say that Montana and the surrounding States are of a nature, that there is an increase in the number of people who are eligible for the 185 percent means test. But there is a dropoff in the number of people participating in school lunches because there are a lot of people that do not want to admit that they do not have the cash. They just do not want to say they are in the poverty group. That is all.

My last point was covered by that. It relates to your statement that "You should not be misled by those who claim these declines in participation were caused solely by the 1981 subsidy reduction."

Well, how much? How much for this reduction? How much for other reasons? Nevertheless, the outcome is bad. When these children are not eating school lunches, I have to assume in general we are losing ground in the fight for nutrition for children.

Mr. Chairman, thank you, and that is all I have.

Senator BOSCHWITZ. Senator Zorinsky has arrived. Senator, do you have an opening statement?

Senator ZORINSKY. I have no comments.

Senator BOSCHWITZ. You have no opening statement.

Senator Dixon, do you have some questions?

Senator DIXON. May I pursue just a little bit if I may with you, Mr. Bode?

This statement on page 5—I apologize for not having been here when you gave it—could you elaborate more completely on this?

You say what you are going to do is save approximately $650 million in the next fiscal year by applying the means test, I take it, again on these programs for meals served to participants from nonneedy families in all child nutrition programs. That would be a figure of 185 percent of the poverty level? Is that the test you apply?

Mr. BODE. Yes, sir.

If I may also add, what is being described here is the February proposals in the President's budget and those have been modified somewhat by the administration and the Senate leadership budget compromises now being considered.

Senator DIXON. How have they been modified?

Mr. BODE. First let me describe the February proposals in general and say how they have been modified.

In February, we proposed the elimination for reimbursement of the Federal entitlements for meals served to children from families with income above 185 percent of the poverty level.

Senator DIXON. That is $20,000 a year for a family of four?

Mr. BODE. A little less than that for a family of four.

Senator BOSCHWITZ. A little less than $19,000, I believe, or within that range.

Mr. BODE. $19,600 for 1986. It is always a little difficult with all the numbers floating around these issues. We are trying to use the same fiscal year numbers throughout. So a reduction in those entitlements, the bonus commodities that make up a third of that assistance at present would be maintained, but the entitlement would be discontinued.

Senator DIXON. Please elaborate.

Mr. BODE. Half of it is provided in cash and half is provided in entitlement commodities, and we proposed in February the elimination of those. The compromise being discussed would eliminate only the cash half of that assistance and maintain the commodity half. Additionally, in the family day care homes——

Senator BOSCHWITZ. There was an inflation increase that you wanted to forego that has also been modified.

Mr. BODE. Yes, sir.

Senator BOSCHWITZ. About 2 percent.

Mr. BODE. In the family day care homes, there is also the upper and middle-income subsidy issue, and we propose a means test at the same eligibility limit, 185 percent of poverty, so that subsidies provided for upper- and middle-income families would be discontinued there as well. That is incorporated in the Senate proposal.

You see, in family day care homes now about 65 percent of the subsidies provided through that program go for the above 185 percent of the income level category, so we feel the program has come to be very poorly targeted and has grown quickly.

Senator DIXON. You mean that is true in the big cities like Chicago and New York?

Mr. BODE. Yes, sir.

We would be pleased to provide that information to you. The study is a very solid one. Let me say that the character of family day care, of the child food program in the family day care homes has changed. There has been a good deal of growth in this program, particularly with the above 185 percent of the income pover-

ty level income category. So if you are surprised, it is based on experience and observations from several years ago. I think that is more understandable because we have had a good deal of growth in this particular aspect of the program.

[The following material was subsequently received by the subcommittee:]

[Excerpt from: Evaluation of the Child Care Food Program, Final Report on the Congressionally Mandated Studies, Volume I: Participation, Administrative and Food Service Costs, Meal Quality. Abt Associates, Inc., Aug. 2, 1982.]

Elimination of Income Eligibility Categories and Separation of Administrative Cost Reimbursement From Provider Reimbursements

Because these changes occurred simultaneously, it is impossible to separate the effect of the removal of the income eligibility categories for reimbursement from the establishment of a separate reimbursement rate for sponsors' administrative costs. Together, these two changes increased the amount of CCFP reimbursements going to family day care providers, especially those serving middle-income children. Family day care providers would not be paid an amount "adequate to cover the cost of obtaining and preparing food . . . without a requirement for documentation of such costs."[21] These changes not only provided FDCHs with a sufficient monetary incentive to participate in the program, but also provided sponsors with an incentive to sponsor homes serving middle-income children. The sponsors' reimbursement for administrative costs would not be based upon the number of homes sponsored and would no longer come at the expense of reimbursements to the individual homes.

TABLE 3.6—POTENTIAL INCREASE IN MONTHLY REIMBURSEMENT TO A FDCH UNDER THE MAY 1980 REGULATIONS BY INCOME ELIGIBILITY CATEGORY OF CHILDREN SERVED [a]

	Number of children in each income eligibility category				
	4 free	2 free, 2 reduced-price	4 reduced-price	2 reduced-price, 2 paid	4 paid
1. Total reimbursement generated under old method [b]	$140.49	$128.52	$116.55	$74.24	$31.92
2. Sponsor's estimated administrative cost [c]	33.00	33.00	33.00	33.00	33.00
3. Net reimbursement to FDCH [d] (1–2)	107.49	95.52	83.55	41.24	(—1.08)
4. Total reimbursement generated to FDCH under new method and rates [e].	159.60	159.60	159.60	159.60	159.60
5. Potential net increase in FDCH's reimbursement (4–3)	52.11	64.08	76.05	118.36	159.60
6. Food cost factor [f]	85.68	85.68	85.68	85.68	85.68

[a] Assumes that each child is served breakfast, lunch, morning and afternoon snack each day in care, and assumes each child is in care 21 days per month.

[b] Based on reimbursement rates in effect December 1979:

[In cents]

	Free	Reduced-price	Paid
Lunch	79.50	69.50	14.50
Breakfast	40.25	33.25	11.50
Snack	23.75	18.00	6.00

These reimbursements are intended to cover both sponsor's administrative cost and the FDC provider's cost of food and food preparation.

[c] This is the estimated average monthly administrative cost per home of an umbrella sponsor. See Glantz, F., "An Examination of Food Program Costs in Day Care Centers and Family Day Care Homes" (Abt Associates Inc., 1982).

[d] Assumes sponsor deducts administrative costs before reimbursing FDCHs.

[e] Based on rates in effect May 1, 1980: Lunch 90¢; Breakfast 46¢; Snack 27¢. Sponsors' administrative costs are reimbursed separately under the new system and are based on the number of homes sponsored.

[f] Food cost factors are USDA's estimate of the amount of money needed for food and food preparation. The December 1979 food cost factors were: Lunch 45.5¢; Breakfast 25.5¢; and snack 15.5¢.

[21] P.L. 95-627, sec. 17 (f)(4).

The impact of these changes on the level of reimbursement to homes and sponsors is illustrated in Table 3.6. It is clear from this illustration that while all FDCHs experienced an increase in reimbursement available under the new regulations, homes serving middle-income children had increases two to three times greater than homes serving low-income (free/reduced-price) children. For umbrella sponsors, basing reimbursement solely on the number of homes sponsored not only provided an incentive to recruit homes serving middle-income children,[22] but also provided sponsors with a more predictable source of revenue. Sponsors reported that this facilitated planning and improved the administration of the program.

The most important factor explaining the recent growth of the program is the ability of sponsors to recruit homes serving middle-income children. The legislation was not only a financial incentive for such homes to participate in the program, but made the program less burdensome, since providers no longer have to obtain income data from parents. The increase in the number of middle-income children served by the program has markedly changed the income mix of children participating in the CCFP through family day care homes. Prior to the implementation of the regulatory changes in May 1980, only 32 percent of the children served in participating FDCHs were in the paid income eligibility category; by January 1982 more than 60 percent of these children were in the paid category (Table 3.7).

TABLE 3.7.—DISTRIBUTION OF CHILDREN ATTENDING PARTICIPATING FAMILY DAY CARE HOMES BY INCOME ELIGIBILITY CATEGORY: MARCH 1980 AND JANUARY 1982

[Percent of children]

Income eligibility category	March 1980 [a]	January 1982 [b]	
		Old	New
Free	44.3	24.5	24.5
Reduced-price	23.8	13.6	11.1
Paid	31.9	61.9	64.4

[a] Data from the August 1980 PRS Report on the CCFP. The income eligibility categories were specified as: Free: income not more than 125 percent of poverty level. Reduced-Price: income between 125 and 195 percent of poverty level. Paid: income greater than 195 percent of poverty level.

[b] Data from National Telephone Survey of 444 randomly selected families of children enrolled in participating FDCHs. Public Law 97–35 changed the income eligibility categories (for center-based care) effective January 1982. The new categories are specified as: Free: income not more than 130 percent of poverty level. Reduced-Price: income between 130 and 185 percent of poverty level. Paid: income greater than 185 percent of poverty level.

The income eligibility criteria do not apply to FDC. The data reflect the distribution of children assuming the income eligibility criteria for centers apply to FDC.

Note: For January 1982, "new" income eligibility category represents the income guidelines enacted in the Reconciliation Act of 1981 (Public Law 97–35). These are the standards that are currently in place.

3.2.2 ADMINISTRATIVE PRACTICES

In addition to the changes designed to foster growth, several regulatory changes were made in 1980 that were directed toward the improvement of program administration. The key changes affected the frequency of monitoring visits and training sessions, and the timeliness of payments to family day care homes. Sponsors were required to: monitor each FDCH at least four times per year; provide at least one training session each year; and pass through food service reimbursements to FDCHs within 15 working days of receipt of these funds from the state.

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[22] Previously, umbrella sponsors that sponsored homes with children in the paid category had to rely on the income generated from the low-income FDCHs sponsored to cover the cost of administering the middle-income FDCHs. In one state this was done by allowing the sponsor to pay the FDCH provider the lesser of either total reimbursement generated or the "food cost factor." For FDCHs serving middle-income children, the food cost factor was almost certainly greater than the total reimbursement generated by the home. From Table 18 it is seen that under such a system, an FDCH serving four children at the free rate would generate $140.49 in reimbursement, from which the sponsor pays the FDCH the food cost factor, $85.68. At an average monthly cost of administration of $33 per home, the sponsor of this home would have $21.81 to offset the cost of administering the program for an FDCH serving children in the paid category.

MONITORING VISITS

Prior to the implementation of the new regulations in 1980, there was no specific number of visits to be conducted each year. Umbrella sponsors determined for themselves the approach that would be used to ensure that FDCHs under their aegis were in compliance with the program's requirements. This, coupled with the fact that the allocation of reimbursement monies between the sponsor and FDCHs was determined by the sponsor,[23] resulted in considerable variation across sponsors in the frequency and content of monitoring visits. Sponsors tended to fall into one of two groups: (a) those that devoted considerable time and expense to the monitoring function, often combining monitoring visits with training and technical assistance; and (b) those that devoted relatively few resources to on-site visits, concentrating instead on in-office record review and visiting when necessary. Across all sponsors, the mean number of visits was 12 per year.

Senator DIXON. I held a hungry and homeless hearing in Chicago recently, and the medical people from the Cook County Hospital were there testifying about all kinds of shocking numbers of percentages of malnutrition in children. And when Cook County Hospital in Chicago mentioned—this is one of the figures that stands out in my mind and has nothing to do with the day care centers—but, Mr. Chairman, if my recollection of the testimony is correct, and I have to refer to the record again, it was that among children under 2 in the Cook County Hospital, over a third of them suffered from various serious degrees of malnutrition. You know, I am not trying to argue with you about what your statistics show, but let me get back to the point: What are you saying the subject matter here is now? In other words, there was the original budget request, of course, in the State of the Union Message, which long since, as everybody agrees, was dead on arrival. Then there was the Budget Committee's resolution which has been substantially altered by the rose garden accord. I guess I am compelled to admit to you that I really do not know what the present matter under consideration in the Senate is. The resolution now under consideration in the Senate entails what with respect to this program? Could you enlighten me on that?

Mr. BODE. Sir, our policy proposals are represented in the February budget. Of course, with the Senate budget compromise adopted, we will go along with that fully.

Senator DIXON. But my question is: What is it now? This is the third product we have——

Mr. BODE. It is now a proposed reduction, elimination of the cash assistance for school meals served to children from families with income above 185 percent of the poverty level.

By the way, the average recipient in this category is from a family with $33,000 a year income for a family of four. Also, the general cost of living adjustment proposal would apply to the school programs as well, the 2-percent COLA, a matter which I am sure you understand well. And, finally, the means test in the Child Care Food Program for family day care homes, that proposal is also included.

Senator DIXON. What is the total number of the two programs you have just addressed in your answer to my question? What is the encompassed savings by virtue of what you have just suggest-

[23] Prior to the separation of administrative cost reimbursements there were no uniform guidelines as to the amount of the reimbursement that sponsors were permitted to retain to cover administrative costs.

ed? In other words, you continue the commodities, as I understand it. You eliminate the COLA and the cash aspects of those two programs.

Is that what your testimony is?

Mr. BODE. Yes, sir.

Senator BOSCHWITZ. That is not correct. The COLA is allowed to rise to 2 percent, is it not?

Mr. BODE. I am sorry.

Senator BOSCHWITZ. Capped at 2 percent.

Mr. BODE. Capped at 2 percent.

Senator BOSCHWITZ. As you know, Senator, without answering the question, now there is a 24-cent subsidy for people over 185 percent of poverty, which is $19,600 for a family of four. Half of that subsidy is paid from commodities and half is paid in cash, 12 cents and 12 cents. The cash is being eliminated. The inflation increase is being capped at 2 percent. Is that a savings of $3 or $4 million?

Mr. BODE. Senator, I am sorry. I was paying too much attention to the numbers.

Speaking for fiscal year 1986, the COLA adjustment that was discussed, as Senator Boschwitz accurately described, would save a projected $23 million. The paid category for lunches would save in school programs approximately $276 million. The family day care home means test would save approximately $148 million. The total we project is $447 million.

Senator DIXON. Distinguished from the numbers on pages 5 and 6 here, that is the number now, a little under $500 million?

Mr. BODE. Yes.

Senator ZORINSKY. Mr. Chairman.

Senator BOSCHWITZ. Certainly, Senator.

Senator ZORINSKY. I would like to find out the whereabouts of the WIC study that was initiated several months ago, was it not?

Mr. BODE. Years ago, Senator. It is a very major study. Much work and resources have been invested in it. The contractor for that study, a gentleman named Rush, requested additional time. The board of technical advisors recommended that additional time be given. We approved some of that additional time and that is the principal reason we do not have the report for you now.

Senator ZORINSKY. How many years has that been going on?

Mr. BODE. A total of about 5 years.

Senator ZORINSKY. Was there a stipulation as to how much you would pay for the study?

Mr. BODE. Yes.

Senator ZORINSKY. I would have assumed in a contract that size you would have had a completion date.

Mr. BODE. It did have a due date, Senator.

Senator, sometimes on these studies—believe me, I share your frustration—sometimes a delay can be shown and that is why the technical advisors, the advisory board is important to us.

Senator ZORINSKY. Initially, what was the termination date or the due date for the study?

Mr. BODE. The end of last summer. The delay was because the advisory panel felt and the contractor felt that the delivery could afford further analysis and a better quality of work product.

Senator ZORINSKY. If that is true, I think we ought to withhold any changes in the program until we have an opportunity to review the study.

Mr. BODE. Senator, we have not proposed any changes in the WIC Program?

Senator ZORINSKY. No changes in the WIC Program?

Mr. BODE. Yes, sir; that is the WIC Program study that we are talking about.

Senator ZORINSKY. But last year you wanted to reauthorize the program for 1 year predicated on the results of the study. Now, you are telling me the study is not finished.

Mr. BODE. Well, Senator, I share your concern. We have proposed a 4-year reauthorization of the program. This year we are still hopeful that study results can be provided, but I have given up on giving dates.

Senator ZORINSKY. Could you provide my office with the name of the contractor and a copy of the agreement. I think we should do all we can to put a stop to these delays.

You know, when I was in business, when you made a deal with somebody, it was a deal.

Mr. BODE. Yes, sir.

Senator ZORINSKY. Even builders have been penalized for not meeting a due date. Was there a penalty written into the agreement? I would like the exact cost, that is, the amount of money the Government has expended.

Mr. BODE. We will give you a full figure.

[The following information was subsequently received by the subcommittee:]

Research Triangle Institute (RTI) was awarded the contract on September 29, 1979 through a competitive procurement. At that time it was anticipated that the duration of the contract would be 30 months, and the cost was estimated to be $3,864,591. RTI subsequently subcontracted some of the work to the Research Foundation for Mental Health in order to add to the project the expertise of Dr. David Rush as principal investigator.

Senator ZORINSKY. Was there a penalty in the agreement for being late?

Mr. BODE. Yes, sir; penalty clauses are built in.

Senator ZORINSKY. Have they been invoked?

Mr. BODE. Not in this contract.

Senator ZORINSKY. Why not?

Senator BOSCHWITZ. Why does she not answer? Stand up.

Ms. SCHMIDT: Sir, this contract——

Senator BOSCHWITZ. State your full name.

Ms. SCHMIDT. Christy Schmidt, Director of the Analysis Staff.

This was a negotiated contract conducted by the Contract Office of the Food and Nutrition Service. There was no penalty clause, as I recall, in this particular contract. However, since this experience, we have had inserted penalty clauses in some other contracts and would invoke those if a similar situation arose. In this case it was a negotiated contract, and we were looking to get the final product. It did not have the penalty clause.

Senator ZORINSKY. Did it have a completion date in it?

Ms. SCHMIDT. Yes; that was renegotiated and extended, given the request of the contractor and the recommendation of the advisory panel, which is a technical panel, reviewing our work.

Senator ZORINSKY. We spent $4 million for a study that started several years ago with a completion date, with no penalty clause in it, and it has been extended beyond the completion date. How many months?

Ms. SCHMIDT. I am not sure. I would have to supply that for the record.

Senator ZORINSKY. Is it years?

Ms. SCHMIDT. Twelve months at least.

Senator ZORINSKY. At least 12 months. I think that is a poor way to do business.

I would appreciate your supplying the information regarding the contract so that we can review it. How is it that we issue contracts of that magnitude and allow them to continue to be extended without the contractor being penalized in any way for continuing to exacerbate an already difficult position?

Mr. BODE. I appreciate your concern, Senator. We will, of course, provide you the full statement.

The following information was subsequently received by the subcommittee:]

The estimate of the duration of the evaluation was 30 months at the time of the contract award. Early in the design phase of the evaluation it became apparent that a number of technical changes were needed in the proposed methodology. To assure the validity of the study, the Food and Nutrition Service modified the contract statement of work several times. The final report is now expected this summer, and the final cost of the contract is $5,856,765.

Mr. BODE. One thing is on some of the research, it is a little difficult to predict how the work will be done because of the nature of it. The research is exploring some areas that are new.

Senator ZORINSKY. Why did you include a completion date then in the contract?

Mr. BODE. As you know, if a deadline is not set, we never seem to get things done.

Senator ZORINSKY. By the time this study is finished, it will be outdated, and it will be time to have a new study. And, of course, if somebody cannot complete a timely study, then studies should be eliminated entirely. Guesses or estimates are just as good as studies because they are free. The contractor can take his time if there is no penalty for not completing this study on time.

I do not want to beat a dead horse. However, I would appreciate your supplying the information regarding the contract.

Mr. BODE. Yes, sir.

Senator ZORINSKY. Thank you, Mr. Chairman.

Senator BOSCHWITZ. Mr. Chairman, Senator Helms, do you have an opening statement that you would like to make?

The CHAIRMAN. I would like to put it, plus a background paper prepared by the committee staff, in the record.[1]

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[1] See p. 45 for the prepared statement of Senator Helms, and pp. 83-87 for a background paper on elimination or reduction of Federal meal subsidies for nonpoor children submitted by Senator Helms.

I would like to thank you for holding this hearing. I have some questions.

Senator BOSCHWITZ. You have some questions. Go right ahead. I will withhold mine. Please, you go right ahead. I will clean up.

The CHAIRMAN. Mr. Chairman, I might mention that earlier this morning I got the results of a request I made to my staff regarding the mail that we have received on the budget package. We have received several thousand pieces of mail, all of which are in favor of balancing the budget and reducing Federal spending. But, we got almost the same number of pieces of mail from a variety of people who also said we must balance the budget—but do not cut me.

I was struck by the fact that here are the revenue sharing people, and all down the list, and they are saying, as Russell Long so frequently says, do not cut me, cut that fellow behind the tree. It is not going to work that way. I have two or three questions with reference to the Nutrition Program. I support that program, but I do not support it with some of the built-in negatives that I perceive to be in it.

Let me, Mr. Bode, first verify, if I can, some figures that I have scribbled down with respect to the school lunch subsidies.

As I understand it, there are three categories. Is that right?

Mr. BODE. Yes, sir.

The CHAIRMAN. Free lunch, the children whose families are below 130 percent of poverty, they get lunch free?

Mr. BODE. Yes, sir.

The CHAIRMAN. And that costs the Government an estimated $1.50 a lunch, is that approximately correct? That is in the ball park?

Mr. BODE. Yes, sir; $1.47.

The CHAIRMAN. Then the second category is the reduced-price lunch and that goes to the children in families that are between 130 and 185 percent of the poverty line, is that correct?

Mr. BODE. Yes, sir.

The CHAIRMAN. And that costs the taxpayers $1 a lunch?

Mr. BODE. A little over that, sir.

The CHAIRMAN. A little over.

Then there is a third category that you call, I believe, the paid category?

Mr. BODE. Yes, sir.

The CHAIRMAN. In that, as I understand it, the average family income of the children participating in that paid category, average family income is $33,000 annually, correct?

Mr. BODE. Yes, sir; the average for a family of four is $33,000. The average for families over 185 percent of poverty is probably higher.

The CHAIRMAN. But, nonetheless, it costs the taxpayers 24 cents for those lunches, each of them, is that correct, in the ball park?

Mr. BODE. Yes, sir; by entitlement and, in addition, the Federal Government provides a little over 10 cents a meal in bonus commodities for them as well. So the total level of Federal assistance is around 35 cents per meal.

The CHAIRMAN. Let the record show there is nobody in this room or anywhere else in this country, for whom I have any respect, who wants any child to go hungry. I have three of my own and five

grandchildren, and it is a cruel myth to suggest that anybody is opposed to children getting nutritious meals. But the taxpayer deserves that we look at the cost of this 24 cents per lunch on the paid category. I inquired and my figures show it costs $750 million a year for that category.

Mr. BODE. Senator, the number I recall to mind is approximately $500 million for that category in lunch.

Another related subject is the Child Care Food Program in family day care homes where the taxpayers pay almost $150 million in addition for upper- and middle-income subsidies in that program.

The CHAIRMAN. So my information is $750 million and you are combining yours for $650 million.

Mr. BODE. Yes, sir.

Thus, the $650 million reflects the total savings that would be achieved by eliminating all these upper- and middle-income subsidies in the programs, as well as the cost of living adjustment proposal that we made.

The CHAIRMAN. So you do not think anybody is going to starve to death if we cut these?

Mr. BODE. No, sir.

The CHAIRMAN. Now, am I correct in my understanding, Mr. Bode, that 17 of the 50 States charge food stamp participants sales tax when they take their food stamps to the grocery stores and buy food and the sales tax comes out of the food stamps? Is that correct?

Mr. BODE. That is correct, sir.

The CHAIRMAN. So you are giving the State a little bit of a bonanza?

Mr. BODE. In the Food Stamp Program, yes, sir. I believe that accounts for a little over $100 million a year, in State sales taxes and when local sales taxes for food are also included the total increases to $149 million a year, that represents food stamp benefits that are being converted, if you will, to State and local tax revenues because of the tax on the Food Stamp Program transaction.

The CHAIRMAN. Food stamps and WIC in this?

Mr. BODE. I am sorry. The number I gave you, Senator, is the food stamp number.

A similar situation exists for the WIC Program. I guess we do not have the estimate on that right now. Of course, it would be a good deal less because of the WIC Program being smaller. But the same situation exists there. You are quite right.

The CHAIRMAN. But, in any case, the 17 States are picking up $100 million from the Federal Government in sales tax on what is supposed to be a beneficial program for the poor?

Mr. BODE. Yes, sir; more than $100 million.

The CHAIRMAN. Why do you not make the States reimburse you for that?

Mr. BODE. We do not have the authority to do that, Senator.

The CHAIRMAN. Who has the authority? Congress? [Laughter.]

Mr. BODE. Yes, sir.

The CHAIRMAN. I will ask staff to get some legislation prepared.

Senator ZORINSKY. I will cosponsor it with you.

The CHAIRMAN. Thank you, sir.

Third and last question, Mr. Chairman, and I apologize.

According to the information I received from the Department, most of the States are not even targeting their WIC benefits to pregnant women and infants. Is that correct?

Mr. BODE. Senator, they are supposed to be, under the regulations and all. Right now, about 20 percent, a little over 20 percent, I believe, of WIC Program participants are pregnant women.

The CHAIRMAN. Twenty percent?

Mr. BODE. Twenty percent.

An additional 30 percent or so account for infants, children under 1 year and postpartum women, women who are breast feeding the infants, generally speaking.

The CHAIRMAN. So 20 and 30 make——

Mr. BODE. Fifty percent.

The CHAIRMAN. Fifty percent are neither infants by definition nor pregnant women, is that correct?

Mr. BODE. Yes, sir; those are the other participants who are the lower priority.

The CHAIRMAN. What does the law say about targeting, if anything?

Mr. BODE. I cannot say—the law specifies that a priority system be developed. The regulations specify what that system is.

The CHAIRMAN. What do your regulations say?

Mr. BRALEY. Regulations require that the competent professional authority at the local agency fill vacancies which occur after the agency has reached its maximum caseload by applying a priority system. The priority system, based primarily on nutritional risk condition, is intented to direct benefits first to the most needy when the demand exceeds available benefits. The priority system groupings are based on the following generally accepted need principles: One, pregnant and breastfeeding women are a higher priority than children, and two, persons with documentable medical, clinical, or biochemical conditions are a higher priority than those solely with dietary inadequacies. Combining these principles results in six priorities generally described as follows:

First, persons with documented medical, clinical or biochemical conditions other than or in addition to dietary inadequacy: (a) Priority I: Pregnant and breastfeeding women and infants; (b) priority II: Infants born of mothers who would qualify for priority I during their pregnancies; (c) priority III: Children.

Examples: Anemia, failure to thrive, low birth weight, diabetes.

Second, persons with an inadequate dietary pattern: (a) Priority IV: Pregnant and breastfeeding women and infants; (b) priority V: Children.

Examples: Failure to consume or have access to a balanced diet.

Third, postpartum women who are not breastfeeding constitute priority VI. At State option, high-risk postpartum women may be placed at higher priorities.

Fourth, also, participants may be certified on the basis of the possibility of regression to nutritional risk. These participants generally constitute a priority VII.

The CHAIRMAN. Targeting is not required?

Mr. BRALEY. It is required in the sense that of the people that apply, you serve the higher priorities first, but that is the extent of it.

The CHAIRMAN. Thank you, Mr. Chairman.

Senator BOSCHWITZ. Is it an entitlement for the others?

Mr. BODE. No, sir. We manage the program as a grant program.

Senator BOSCHWITZ. Not quite an entitlement, but it is treated as an entitlement.

Is it treated as an entitlement?

Mr. BODE. With respect to higher priorities?

Senator BOSCHWITZ. No; to the lower priority.

Mr. BRALEY. Mr. Chairman, it is not an entitlement program in any sense. It is a grant of funds that goes to the States. And when they get the money, the money goes as far as it can and they work through the previously discribed priority system to try to serve the highest priorities first. It has never been an entitlement.

Senator BOSCHWITZ. All right.

Mr. BODE. I misunderstood your question initially. Certainly food stamps operate as an entitlement. It is a limited entitlement. The WIC Program does not in any way operate as an entitlement. The States are responsible for managing the caseload as in a pure grant type program. I hope that is more responsive.

Senator BOSCHWITZ. We are pleased also to see Senator Harkin here this morning.

The interest in this program is illustrated by the fact that we have had seven or eight Senators present.

Senator Harkin, do you have any questions?

Senator HARKIN. Thank you very much. I have had a long and continuing interest in this program, and I served on the appropriate subcommittee in the House Agriculture Committee for several years and on the full committee for 10 years, and now on this committee. So I have been involved in this Food Stamp Program and the WIC Program for a long time.

In making cuts to moderate income people, those who have average income that permits them to get the 35 cent meal subsidy, we found in Iowa, and throughout the Nation that when we cut that down in the Reconciliation Act of 1981, a lot of these students, because of the increased cost of meals, dropped out. These cuts increased the fixed costs for those students that were left. So, in order to help the students who are getting the free and reduced price lunches, by trying to attack the students and those families that are getting that 35 cent subsidy, that, in effect, you are saving some money on one end but you are not saving it on the other end because it increases the fixed costs per unit or per student.

You follow what I mean?

Mr. BODE. I see your point, Senator, but with all due respect, we do not assess it that way.

Senator HARKIN. How do you assess it?

Mr. BODE. We believe the School Lunch Program for the paid category is still a real bargain. The program is a bargain and participation in the paid category will remain strong. There are, of course, some reductions in the paid category participation when the increase in the price comes into effect. However, the fact that the school lunch program still offers the best bargain around will

result in some of that dropoff, some of those students coming back into the School Lunch Program.

Furthermore, we do not see the responsibility as exclusively a Federal one. We believe that the Federal commitment is appropriately targeted on the low income student and that, of course, is what we are proposing. Since such a large portion of the total Federal assistance in the lunch program is attached to the free category, the level of assistance for schools will remain strong.

Senator HARKIN. You see what you are doing? You are skewing this whole thing in trying to reach, and I agree you ought to try to reach, those poorer students to make sure they do get adequate nutrition through a free lunch.

But let us say you have a State where—and we will have some people testifying from Iowa, but I followed it in my own State, and it is probably true in Senator Boschwitz' State, that we are proud of the fact that we do not have that many low income in our States. A lot of moderate income and not a heck of a lot of rich people.

But in reducing the subsidies to the moderate income, they drop out of the program and you increase the fixed costs to the whole program. You drive the States to try to reduce their budgets, and the States that perhaps have a high incidence of poverty will get more Federal help into the States. States like Iowa will get less, but those poor students still will not be assisted because of the problems of the farm economy. We are bankrupt as it is.

When you are telling me it is not a Federal responsibility, that it is a joint responsibility, I think the responsibility is still a national one.

Mr. BODE. We believe there is a strong joint responsibility, and if I said otherwise, I misspoke before.

For the State of Iowa—and certainly we recognize the characteristics that you describe—under our proposal, the February budget proposal, 73 percent of the total Federal support provided for the lunch program in Iowa would be continued.

Senator HARKIN. Seventy-three percent?

Mr. BODE. Seventy-three percent.

Senator HARKIN. What is going to happen to the rest of the 27 percent?

Mr. BODE. For the 27 percent we feel it is appropriate that the parents of these upper- and middle-income children pay for a greater proportion of the meals those children are receiving.

Senator HARKIN. The figure you used here was $33,000 for a family of four. I thought it was $19,400.

Mr. BODE. I am sorry. Those are two entirely different numbers, different statistics. The $19,600 is the fiscal year——

Senator BOSCHWITZ. It keeps changing on us.

Mr. BODE. But it stays around $19,000; $19,600 is 185 percent of the poverty guideline. That is the eligibility limit for the line between reduced and the paid category. The $33,000 is the average income level for a family of four for participants in the paid category. So $19,000 is the bottom; $33,000 is the average there for a family of four.

Senator HARKIN. Your family of four with an income of $20,000, would they be eligible for the reduced price?

Mr. BODE. In 1986, they would be eligible—no, they would not be eligible for the reduced price. They would be just above the reduced price line.

Senator HARKIN. Let me make this crystal clear because I do not think this came up, a family of four in Iowa or Minnesota making $20,000 a year would have to pay the full price?

Mr. BODE. They would have to pay an increased proportion of the full price. We are still planning to continue one-third of the Federal assistance that is now provided.

Senator HARKIN. Right now what does a family of four with $20,000 have to pay for the school lunch?

Mr. BODE. It depends on the school. Eighty to 90 cents.

Senator HARKIN. For a family of four making $20,000, in 1986 under the budget, that you are pushing, what will they have to pay?

Mr. BODE. About 25 cents more, 25 to 30 cents more.

Senator HARKIN. They will have to pay somewhere between $1.10 and $1.20, right, per meal, per lunch.

Now, for a family of four making $20,000 a year, do you think that is fair? Do you think they can really afford that for those three kids that may be in school, or two kids in school?

Mr. BODE. Sir, we feel that is more appropriate than continuing deficit spending for the purpose of providing assistance for meals served to students from upper- and middle-income families.

Senator HARKIN. How much money goes into this? What is the budget figure that goes into it for the reduced price program?

Mr. BODE. The level of expenditure for reduced price subsidies?

Senator HARKIN. Yes.

Senator BOSCHWITZ. Perhaps you can express it in terms of the savings. Would that be OK?

Mr. BODE. Senator, we do not propose to save a dime on the reduced price category.

Senator BOSCHWITZ. Fully paid and reduced price, between 130 and 185, I believe your question is directed at those above 185?

Senator HARKIN. No; those that get the reduced price. Those are between 130 and 185 percent.

Senator BOSCHWITZ. That would remain unchanged under all of the proposals, and they pay, I believe, a maximum of about 40 cents.

Mr. BODE. In the total level of Federal expenditure for those subsidies, it is about $275 million in fiscal year 1986. The change is focused, Senator, on the subsidies for meals served to children from families with incomes above the 185-percent level. That is the $19,600 per year for a family or four.

Senator HARKIN. That is the 185. I thought it was the 130.

A family of four, if it is above—the $33,000 figure was the average of all income for those who received some subsidy?

Mr. BODE. No. It is the average income for a family of four in the United States.

Senator HARKIN. Who paid full and who paid reduced?

Senator BOSCHWITZ. No. Those who will get no subsidies. The proposal is that people over 185 percent of poverty will not get an additional subsidy. The school presently receives 12 cents in cash and there is another dime in a general commodity fund that comes

in that also applies to their meals. The proposal is that the 24 cents be eliminated under the President's proposal. The Senate and the new proposal is that only the cash part of it, the 12 cents, be eliminated. The person with an income above $19,600 is in that category. If you average all the incomes of the people from $19,600 and up, the average income is $33,000.

Senator HARKIN. All right.

Senator BOSCHWITZ. That had a hard time coming out.

Senator HARKIN. Again, I am just asking you how much savings you are looking at by taking away the 24 cents or 12 cents, whatever you decide on.

Mr. BODE. It is approximately $500 million in the school programs. Under the President's budget submission in February, that would save approximately $500 million in the school programs. Of course, that level of savings is now approximately one-half in the $250 million frame under the budget compromise being discussed.

Senator HARKIN. Again, we have some stories as to what the reductions will be in those that will participate in the School Lunch Program and what that means in the per student cost that will go up to those that we all say we are trying to reach, the poor students.

I think we have reached a point of diminishing returns. The more you try to cut out the moderate income people from participating, the more it is going to raise the cost because you have a fixed cost and you have got the kitchen there, you have got the cooks and the helpers. They are already there to provide the school lunches for the poor kids, and let us say you are feeding 50 kids and you have got to cut out historically we saw it was about 7 percent, cut out four kids out of that, and that increases the per unit cost to the other ones. I do not know that you are saving anything. You are really not saving anything when you do something like that unless you say they have got to cut down on their kitchens, but that fixed cost is already there.

Mr. BODE. Senator, the savings, of course, are very real and will accrue to the Federal budget. You are correct that in providing a lunch, a certain level of costs is going to be incurred. We are saying that in the upper- and middle-income families they should pay for a greater proportion of the costs of providing lunches to their children. It is inappropriate to have you continue the deficit spending, borrowing money that is going to come back some day on those kids when their parents can be paying for the costs or at least a greater share of the costs of providing their lunch.

Senator HARKIN. Well, my time is up. But, again, you know these moderate-income parents pay taxes.

Mr. BODE. You bet they do.

Senator HARKIN. A lot of times they do not get back in taxes or in benefits, and whatever form, from the Federal Government that they ought to be getting back. I can show you—I am not going to burden the record with this, but I can show you how much, for example, we pay in Federal taxes in Iowa and how much we get back. It is about a 3-to-1 ratio right now.

You tell moderate-income parents to forget about the Federal Government paying in terms of helping your kids eat lunch. I do not mind them paying a share. They pay a share. But to tell a

family of four making $20,000 a year that they have to increase their expenditures in this regard, I just do not think it is fair. It just does not make good economic sense, all fairness questions aside.

My time is up. I will not belabor the point.

Senator BOSCHWITZ. Thank you, Senator.

Let me pursue that point just a little bit, Mr. Bode. Many of the questions I had intended to ask have been asked. It has often been said that for every penny that you decrease the subsidies you will lose eight-tenths of 1 percent, of the participants. To pursue the questions of Senator Harkin, in your statement you outlined the reductions that were made under the 1981 reconciliation bill, or the OBRA—the Omnibus Reconciliation Act—and stated that you felt that only 600,000 people dropped out of the program as a result of the reductions in subsidy.

You said some of these 1,600,000 or 1,800,000 participants that dropped out were because of declining school enrollment or because they were private schools. A total of 2,200 schools, as I recall the number, dropped out of the School Lunch Program. A lot of them were, I presume, private schools. With this 24 cents, what kind of reduction will you get in numbers now, and have you already let out of the program the private school students and the other people who would be reduced from a reduction in numbers, as one of the Senators said, that seems to be turning around? What do your studies show with respect to what would happen, and is Senator Harkin correct in believing that the per unit costs would rise substantially or otherwise from a reduction of this subsidy?

Mr. BODE. The unit cost, we feel, of providing the lunch has certainly gone at the pace of the free category reimbursement. We feel that there is absolutely no reason for low-income dropout in the lunch program because of these proposals.

The only change we are proposing would be to reduce the subsidy for the upper- and middle-income groups, and that would in many schools, most schools, increase the costs of the lunch of certain of those children.

The statistic you referred to, the eight-tenths of 1 percent, was based on an analysis done in the late seventies and applied at a different level in the School Lunch Program.

I think it also is important to point out that is an initial response to an increase in lunch charges. What we feel is most important to consider is where the program participation levels out. Some of those upper- and middle-income kids are going to drop off the program when the price of the lunch increases. They will then come back on after experiencing the alternatives.

Senator BOSCHWITZ. The past participation studies by your agency have shown there is an eight-tenths of 1 percent drop from paid lunch participation for every cent decreased. Based on USDA estimates, therefore, if we enact the 24 cents, there would be a reduction of 2.3 million kids. This reduction applies to the people who pay for their lunch.

In the event, 2.3 million kids drop out, that is somewhat less than 10 percent of the total now in the program.

Senator HARKIN. Where did you get that from?

Senator BOSCHWITZ. Those are in the USDA study, as Mr. Bode pointed out, in the late seventies where it said that for every 1 cent that you reduced on this upper income level that you would lose eight-tenths of 1 percent of the participants.

As I recall the figure, it was 11½ million participants in the upper income level which represents about 48 percent of the total number of people who participate in the School Lunch Program. In the event you drop by 24 cents, therefore, they say they will lose 19 or 20 percent of your 11½ million who are paying for their lunch.

Your point is that if you drop off 2.3 million people, the rest of the program per unit is more expensive.

Senator HARKIN. That is my point.

Senator BOSCHWITZ. Mr. Bode in his testimony indicates that he felt that the people who dropped out of the program due to the previous cuts of this nature could be attributed to a reduction in enrollees in school in general, the fact that it applied to private schools, and that a lot of people came back.

Mr. BODE. Yes, sir.

The other factors were certainly confirmed in the analysis of the 1981 changes. There are a number of things that happened and any meaningful analysis is going to take account of those. Historically, about one-third of those dropping out come back in in the paid category. So there would be a dropout. Some of the upper- and middle-income students would be dropping out when their parents were asked to pay the additional amount.

Then, based on past experience, a good third of those that drop out come back in.

Senator HARKIN. How many though? What is your figure? How many do you anticipate will drop out?

Mr. BODE. I guess it is very hard—because of some inadequacies in the data that Senator Boschwitz referred to, I have not felt comfortable giving a projected dropout number. I realize that the numbers that Senator Boschwitz mentions, how they shake out.

Senator BOSCHWITZ. It is hard to tell, Senator, and we are talking about only 12 cents under this study that was made a few years ago and that about a million kids would drop out. How many would come back is not clear, and you never know exactly when you are coming to the margin. But that is something that we will have to look at very carefully and make sure that we do not, indeed, just raise the costs.

Let me turn, if I may, for a moment to the child care food program and the idea of imposing also the 130 to 185.

Would there be a 40-cent payment?

Mr. BODE. No, sir.

Senator BOSCHWITZ. Just above——

Mr. BODE. Just above the 185 percent.

Senator Boschwitz. It is not clear to me.

You state here that since day care providers already must pass the means test to qualify their own children for the program, it would not be a new or an unfamiliar requirement to implement. I would think that it is going to be a little more difficult to implement when you have a home with four or five or six or seven kids, and the parents all know one another. And I think it will be somewhat more difficult to implement.

Mr. BODE. Certainly there would be an additional requirement there. And I do not mean to imply that there is not. My point is that the standard is known, it is a concept that has been dealt with.

Additionally, the sponsor of the Child Care Food Program would collect that information, provide that service, if confidentiality of the family income is concerned.

Senator BOSCHWITZ. Well, I will pursue that a little bit because that——

Mr. BODE. That has been a concept that has been used in the past in the Child Care Food Programs.

Senator BOSCHWITZ. Prior to 1980?

Mr. BODE. Yes, sir.

Senator BOSCHWITZ. And it worked pretty well? I do not recall.

Mr. BODE. It was modified for the purpose of easing the administrative requirement, the concern you pointed out. What was certainly unanticipated at that time was the tremendous growth in upper- and middle-income participation in the program until it reached the point that it went, from a means test program where we now have 65 percent of the subsidies provided to those with income above 185 percent of the poverty level.

Senator BOSCHWITZ. I think it may be a little different. The reporting requirements may be different in the school setting where you have an administrator, rather than a mother who is running the child care home center, if that is the proper designation, and deal with her and another mother or parent——

Mr. BODE. We have it in centers now but not in the family day care homes.

Senator BOSCHWITZ. You are going to impose it in the centers but not in the homes?

Mr. BODE. No; it is now in the centers.

Senator BOSCHWITZ. The 185 percent requirement?

Mr. BODE. Yes. It is not now in the family homes, and that is what we propose, to put it in the family day care homes.

Senator BOSCHWITZ. That is what I would say would be more difficult to implement.

At the beginning of the hearing, I pointed out we are going to have to try to get out of here by 11:30, and the rules are going to require us to get out by 12. And more Senators appeared than I thought. So this initial part of this hearing was more extensive than we anticipated, but we have to get on to our first panel.

So we turn to Ms. Gene White, legislative chairperson, American School Food Service Association, Sacramento, CA; Mrs. Rita Hamman, director, Child Nutrition Programs, Kansas Department of Education, Topeka, KS; and Dr. Louis E. Smith, director, Child Nutrition Program Division, State Department of Public Instructions, Des Moines, IA.

Senator Harkin, I believe Dr. Smith is a constituent of yours and you wanted to say a few words.

Senator HARKIN. Yes.

Senator BOSCHWITZ. Let us proceed, please, and those who wish to converse leave the room, please.

Senator Harkin, if you would proceed.

Senator HARKIN. Thank you, Mr. Chairman.

It gives me great pleasure to introduce this morning Dr. Louis Smith. Dr. Smith is director of the Child Nutrition Program division of the Iowa Department of Public Instruction. In this position, Dr. Smith supervises the National School Lunch Program, School Breakfast Program, the Commodities Distribution Program, the Child Care Feeding Program, and the Nutrition Education and Training Program, and the Food Service Equipment Assistance Program.

In Iowa, these programs total $29 million in feeding those children across the State each year.

Dr. Smith has a distinguished career of public service in the field of education. Prior to his 7 years with the Department of Public Instruction, he held jobs covering the gamut of secondary and higher education. Among the many hats Dr. Smith has worn are those of college dean, college admissions counselor, high school principal, and high school social studies, history and English teacher. He also found time to pursue a doctorate in educational psychology as well as serving on many boards and commissions, including the executive board of the National Association of State Agencies for Free Distribution. Last year, he was also a member of the Governor's task force on hunger which found that there were 130,000 hungry people in Iowa last year, a shocking statistic from a State with some of the richest farmland in the world.

I mention all this today, and I take this brief amount of time, Mr. Chairman, to underscore the breadth of knowledge and experience that Dr. Smith brings to this hearing today.

So I just want to welcome Dr. Smith here and look forward to his testimony and the breadth of experience and knowledge he brings.

Senator BOSCHWITZ. Dr. Smith is at the end. You are Dr. Smith's counterpart in Kansas?

Mrs. HAMMAN. That is correct.

Senator BOSCHWTIZ. And Ms. White, you are the legislative chairperson.

Would you describe that title?

Ms. WHITE. Legislative chairperson for the American School Food Service Association.

Senator BOSCHWITZ. In that case we will go in order of the program here. We covered a lot of ground already and we asked the witnesses to address the problems at hand rather than, as is done very often, repeat testimony already given. I do not particularly say you cannot stray from your own testimony. I ask that you would please make it as pointed as possible since we are going to have to adjourn here at noon.

So, if you would proceed, be as pointed as possible and address the issues that are before the Senate, I would appreciate it.

STATEMENT OF GENE WHITE, LEGISLATIVE CHAIRPERSON, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION, SACRAMENTO, CA

Ms. WHITE. Thank you, Senator.

As referenced, my name is Gene White. I am the legislative chairperson of the American School Food Service Association.[1]

[1] See p. 54 for the prepared statement of Ms. White.

Until recently, I was the director of child nutrition and commodity distribution for the State of California, and am a past president of the ASFSA.

Mr. Chairman, if I may, I am going to digress from my prepared text.

Senator BOSCHWITZ. Sure.

Ms. WHITE. I would like to respond to two things, Senator Harkin and his concerns about fixed costs. I would like to share some thoughts with you and I would then like to briefly respond to the administration's testimony.

Senator BOSCHWITZ. Fine. Do so.

Ms. WHITE. I would like to point out some questions I am going to have with that.

Senator Harkin, you have mentioned concerns about fixed costs. And what this means to the price of a meal in a school. Aside from the fairness issue, which you did address, there is also, as you mentioned, the economics of fixed costs and what happens when you raise prices. Let me share with you something I put together this week on how a typical school district is affected when you raise prices.

Raising the selling price of the school lunch will not necessarily offset the loss of a Federal reimbursement for the meal. In fact, our studies indicate that this may actually compound the problem. In a typical school serving over a thousand lunches a day or, let us say, a thousand, 50 percent of these meals are served to the needy and 50 percent to the nonneedy. It would be an example of what we are talking about.

Now, in this typical school, if we raised the selling price to the paying child by 15 cents, as most schools would need to do next year, our past experience in a number of States shows that we would have a 15-percent loss of student participation in the paid meal category. Now, that equates to 75 students that would drop out of the program.

Now, when this happens, all of the income that would have been generated by the 75-student meals is lost and, in the meantime, the fixed charges that you referenced support the infrastructure of the program itself continue at essentially the same level.

I pulled the food costs down for those 75 meals, pulled the supply costs down, left the labor essentially the same, equipment replacement costs of a penny and a half a meal the same. And as a result of all this adjustment of figures, I still found that the loss of income from the 75 dropout students creates a shortfall of 16 cents per meal for all the remaining meals that are served in this school, and that includes the meals served to needy students.

So, you see, by raising the price 15 cents and by losing 75 students, we have lost a significant piece of income which no longer is there to support the infrastructure. And the net result is higher food costs for everybody who is left.

Senator HARKIN. Only one question.

You said 15 cents equals 15 percent loss?

Ms. WHITE. Yes.

Senator HARKIN. That is one for one.

Ms. WHITE. A USDA study shows about eight-tenths of 1 percent drop in Federal reimbursement relates to about a 1-percent loss of

student participation. However, a number of State directors find that it is about a 1-to-1. A 1 penny increase is about a 1-percent drop. That is the figure I am using here.

During the years I was State director in California, we found that to be true.

Senator BOSCHWITZ. Say all that again. If you lost 75 kids and what are they paying on the average?

Ms. WHITE. I equated this to be in the elementary schools 85 cents and in the high schools $1. So when you add 15 cents on to that price, the elementary price goes up to $1 and the high school price to $1.15.

Senator BOSCHWITZ. Yes.

Ms. WHITE. So you would lose that revenue for 75 students.

Senator BOSCHWITZ. You would lose the 85 cents and $1.

Let us say 92½ cents.

Ms. WHITE. But you would be raising the prices, you see, next year. You would serve 75 less students, those who remained would be paying the inflated price or the adjusted price of a dollar in the elementary and $1.15 in my high school.

Senator BOSCHWITZ. How much will you lose? You would lose 75?

Ms. WHITE. We are estimating you would lose the full revenue for the 75 students.

Senator BOSCHWITZ. $70?

Ms. WHITE. Really you would be losing $1 for the elementary students and you would be losing $1.15 for the high school. That increases the loss somewhat.

Senator BOSCHWITZ. You cannot lose what you have not got.

Ms. WHITE. That would be the projection for next year.

Senator BOSCHWITZ. You are losing 85 cents and the $1. How much is it? How do you get to the 16 cents for all the remaining?

Ms. WHITE. If you take your loss, if you take the projected shortfall that we would not have for those meals, compute that and divide that by 925 remaining meals in the school, you actually have a shortfall in the meals.

Senator BOSCHWITZ. But not 16 cents?

Ms. WHITE. That was our projection.

Senator BOSCHWITZ. But you only lost $70 or $75 so that if you have 925 left, that would be about eight cents a student.

Ms. WHITE. I can share my figures with you. I have them here.

Senator BOSCHWITZ. Later.

Ms. WHITE. This gives you the picture that raising prices does not necessarily generate revenue to take care of the fixed price issue.

My other comment, Senator, would relate to some of the comments made in the USDA statements.

Senator HARKIN. We will really work those figures out.

Ms. WHITE. I would be glad to bring them by your office.

My final comment in response to the USDA statement concerns some of the comments they made which, in our judgment, are confusing and inaccurate, and I am particularly referring to page 7 of the testimony where a statement was made mid page here which states that the administration is "not impressed with such predictions of catastrophe that have been made about this proposal. These claims were made in 1981 but did not materialize."

I think it is important to point out that the administration's package was not approved by the Congress and, therefore, the catastrophe that was predicted did not occur and had Senator Helms remained, I would like to have particularly commended him for the way in which he had opposed the total elimination of section 4 in 1981. Actually, Congress did not approve the administration's proposal in 1981 which would have been to eliminate section 4 funding.

Additionally, they mitigated the 11 percent cut. One was to increase the amount of bonus commodities. The other was to provide an option to serve in the meal package. The predictions, had the administration package actually been voted in, would have unquestionably happened.

I think another question that we have concerns the effect of budget cuts on student participation. Do students really drop out and have they dropped out? Without taking time to debate the administration's figures, I would like to submit for the record a report we have just received from the Center on Budget and Policy Priorities prepared by Robert Greenstein, the director, and this addresses the impact of budget cuts on the school lunch participation. It addresses the dropouts. It clearly says decreasing enrollment does not account for the full level of dropout. It also points out that free and reduced price children have dropped out of the program. So I would like to submit this, Mr. Chairman, for the record.[1]

Senator BOSCHWITZ. Give it to me then. I will read it first.

Ms. WHITE. If I might quickly get back to my text, I would like to just very briefly highlight some of the contents.

The budget resolution as reported by the Committee on the Budget presumes a saving of $700 million in child nutrition. The Senate leadership-White House budget plan would lower this cut in child nutrition to $400 million in fiscal 1986, $500 million in fiscal 1987, and $700 million in fiscal 1988. The Senate leadership-White House plan which became the basis for the Senate debate by a 52 to 49 vote is an improvement, but we do not believe the Child Nutrition Programs can withstand even these cuts in Federal support. And we, therefore, would urge the passage of the Hawkins amendments which she referenced this morning.

It is the opinion of the American School Food Service Association that if these cuts are enacted, the National School Lunch Program would cease to exist as a nutrition and health program for all children and would, at most, provide a degree of income security to poor children living in pockets of poverty.

Mr. Chairman, there are a number of issues pending before the Congress which affect the Child Nutrition Programs. Yesterday, the House Education and Labor Subcommittee reported out H.R. 7 with amendments. It would extend for 3 years all Child Nutrition Programs with reauthorization. The cost of the bill is $100 million, and this is to be divided between the WIC and the Breakfast Programs.

It is, I should note Senator Boschwitz, very similar to the bill that you introduced in the Senate last year.

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[1] See p. 87 for the report from the Center on Budget and Policy Priorities.

We are submitting a ASFSA issue paper to provide information for the record, and our position on these other child nutrition issues.[2]

Now, the Omnibus Reconciliation Act of 1981 reduced Federal support for child nutrition by approximately 30 percent or $1.5 billion. It was one of the steepest cuts contained in the Reconciliation Act. While the Child Nutrition Programs comprise less than ½ of 1 percent of the Federal budget, the Child Nutrition Program shouldered approximately 4 percent of the total savings enacted as part of this act.

Now, the White House budget plan concurrently under consideration would cut child nutrition and specifically the School Lunch Program. Most of the cuts, as you know, are in the School Lunch Program. Specifically the cut would eliminate 100 percent of the Federal cash support paid to schools for meals served to children from families with incomes over $19,600 or 185 percent of the poverty line.

Senator BOSCHWITZ. Ms. White, we are going to run out of time. The rules of the Senate state we cannot proceed more than 2 hours after the Senate goes into session, and I do not want to be discourteous. I will read your testimony. You are now repeating some of the material that we have already considered earlier, and so with your permission I would like to go on to Mrs. Hamman.

Pardon me, Senator Wilson.

Senator WILSON. Mr. Chairman, first of all, I regret that, as is so often the case, a conflicting responsibility delayed my arriving here. If I may, because having just arrived, I have shortly to leave, let me ask a couple of questions if I might.

Senator BOSCHWITZ. Sure.

Senator WILSON. As I understand the argument that is being made by Ms. White and others who are opposing both the administration's proposal and the so-called compromise proposal, it is that the elimination of the current level of funding is going to prevent the use of the School Lunch Program for those who are, in fact, truly needy because a number of school districts will withdraw from the plan. And I know in particular her explanation that it really goes to the transfer payment, not to specific individuals, but to school districts because of certain fixed charges that are involved and incurred by them in participating in the Child Nutrition Program.

Could somebody tell me what the level of subsidy is to the paying students and what percentage of the total number of participating students is represented by paying?

Here I have seen a figure that says something like 60 percent. Excuse me. The paying students represent 45 percent of the 23 million students participating in the program. In other words, 45 percent of all the students participating in the program, so-called paying students, represent the children of families who in the proposals would no longer participate? They are being subsidized at what level on a typical school lunch?

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[2] See p. 57 for the material furnished by Ms. White.

Ms. WHITE. The level of subsidy is 12 cents cash and 12 cents in commodities. In California——

Senator WILSON. So it is approximately a quarter?

Ms White. Right. In California, about 33 percent of the meals served in the School Lunch Program each day go to these paying students that we are talking about. Nationwide, it represents, as you said, about 45 percent.

Senator WILSON. Has there been an argument advanced by the proponents of the reductions that this can be achieved in another way, without the subsidy to the so-called paying students, that a subsidy can be provided to only the so-called needy, whom I gather from this would represent the other 55? Is that what you are saying?

Ms. WHITE. That is correct. The concern that we have is that the subsidy for the paying child is an important part of the total financial structure of the program. Many schools would have student dropouts, lower participation which would increase the financial burden of the program. The program actually is never completely self-sufficient. But if we were to lose the paying child, we would lose a basic part of the financial contribution to this program which really helps provide the infrastructure to support the program for all children. And actually if we lose——

Senator WILSON. Why is that?

Ms. WHITE. This is simply because the funding for all children provides the basic financial support. Many schools that have, as an ASFSA study indicates, a mix of, say, 40 or 50 or higher a percentage of paying children, simply could not afford to operate a program for only the needy if they were not receiving subsidies for all of the meals.

Senator WILSON. You are saying there are fixed costs such that the 45 percent, and we are talking now not about the commodity payment but the cash payment, 12 cents from each of the students within this 45 percent group is essentially in order to provide the overhead that is involved in the program? Is that it?

Ms. WHITE. Overhead costs remain relatively fixed. The total funding package for the paying child as well as for the free and reduced priced meals is essential.

Our concern, as indicated by the number of surveys we have done in the States, is that if the funding for the paying child is eliminated, many schools will close their programs. And if that happens, then even the most needy child is not served.

Senator WILSON. Has there been a response from the administration as to how they could counter that argument? In other words, have they suggested that the 12 cents that now goes to the needy could in some fashion—to the nonneedy, to the paying students could, in some fashion, be redistributed?

Ms. WHITE. I am not aware of a proposal of that kind.

Senator WILSON. Anybody who is? Has there been any such representation by the administration?

Ms. WHITE. Not that I know of.

Senator WILSON. Well, Mr. Chairman, I would be interested in the response they make to this specific argument.

Senator BOSCHWITZ. Of the reduction of numbers and the overhead?

Senator WILSON. Yes. The argument is made that payment of the subsidy, the 12 cents per student to the so-called paying student, is an essential part of paying for the overhead of the program for everyone, and they may argue with that. They may have a counterproposal, but at least I would be interested in their response to the contention that is being advanced by Ms. White.

Senator BOSCHWITZ. I have given everyone the testimony of Mr. Bode who was here earlier. We really have to move on, otherwise we will not be able to listen to the rest of our witnesses.

Do you have further questions?

Senator WILSON. I will simply leave the question on the record and take Mr. Bode's testimony.

Senator BOSCHWITZ. Starting on page 7.

Just before we leave it, a final short question.

Of the total cost of the School Lunch Program, what percentage is overhead? What percentage is food?

Ms. WHITE. It varies from district to district. The figures that I had used was something like 53 percent labor, about 45 percent food cost, the other percentages are for such things as utilities, equipment replacement and so on. It does vary considerably throughout the States.

Senator BOSCHWITZ. Fifty percent of the cost of the school lunch is attributable not to the food but to the overhead?

Ms. WHITE. Correct, 50 percent or more. It is usually more.

Senator BOSCHWITZ. All right.

Now we have got to go to Mrs. Hamman, and I apologize for asking you to be brief, but I am going to ask you to do so.

STATEMENT OF RITA HAMMAN, DIRECTOR, CHILD NUTRITION PROGRAM, KANSAS DEPARTMENT OF EDUCATION, TOPEKA, KS

Mrs. HAMMAN. Thank you, Mr. Chairman, members of the committee.

My name is Rita Hamman. I am director of the school food service section in the Kansas State Department of Education. Bob Clemons, who is chairman of the Kansas State Board of Education, is also here today.

You do have a copy of my testimony,[1] and I will highlight certain parts of this testimony and will address three programs: the National School Lunch Program, the Child Care Food Program, and the National Commodity Processing Program.

As we all know, the goal of the National School Lunch Program is to safegurd the health and well-being of our Nation's children. As a program administrator, I am happy to report that we are meeting this goal. However, I am concerned about meeting it in future years if cash assistance for paid meals is eliminated.

The Kansas State Department of Education has identified 371 schools in 106 districts which serve fewer than 20 percent free and reduced price meals. All of these schools would be considered likely to cease participation in the National School Lunch Program if reimbursement cuts are enacted.

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[1] See p. 64 for the prepared statement of Mrs. Hamman.

If these schools withdraw from program participation, an estimated 14,000 students now receiving free and reduced price meals daily, plus an estimated 81,000 students who pay full price for their meals, will be forced to go elsewhere to buy a lunch, bring a lunch from home, or will go without a lunch.

The child nutrition programs are a sound investment in America's future because when children learn to eat nutritious foods, many of the diet-related health problems are less likely to occur later in life. Although families with higher incomes may be able to pay an increased price for a school lunch, studies have found families are more interested in saving money than buying nutritious foods. By retaining the Federal reimbursement for meals served to children in the paid category, meal prices can be kept low, thus providing an incentive to purchase a nutritious meal. If students in the paid category continue to participate in the program, schools will be less likely to withdraw from program participation.

The second program I would like to discuss is the Child Care Food Program. At the local level, the Child Care Food Program in child care centers is very similar to the National School Lunch Program. The enrolled children are categorized according to the income level and reimbursement per meal varies according to the income category. Elimination of cash ssistance for paid meals would result in the closure of some child care centers in Kansas. For others, they would withdraw from the program and lower the nutritional quality of the meals served so they could maintain a competitive child care rate and stay in operation.

The family day care portion of the Child Care Food Program is different because the reimbursement rates do not vary according to the income category of enrolled children. For that reason, the means test for family day care children has been proposed. In Kansas, we have given this a lot of consideration. We have discussed this with sponsoring organizations. I would like to give you some thoughts about this issue; however, I do not have any recommendations.

A means test implies collection of family income data for enrolled children so the provider can meet certain eligibility criteria, such as having a certain percent of enrolled children from families that qualify for the free and reduced price categories. Sponsors believe parents of children in care would be reluctant to complete an income form for a family day care home provider who, in many cases, would be a friend and/or neighbor. The parents of children in care do not receive direct benefits, such as lower child care rates, and thus they would have little incentive to provide personal income information. For these reasons, a provider may find it difficult to qualify for program eligibility.

The procedures for claiming and disbursing reimbursement could create a mountain of paperwork and cause both family day care providers and sponsoring organizations to cease program participation. Extensive recordkeeping by both the provider and sponsoring organization would be required if reimbursement would be based on the individual income category of each child.

If reimbursement rates would be based on the percent of free and reduced price children served through each organization, the sponsoring organizations could compete for sponsorship of homes caring

for poor children, and no one would be interested in homes caring for middle-income children. I do not believe this type of competition would be desirable.

In summary, I would like to say I believe a means test for family day care programs would be difficult to administer.

The third program I want to discuss is the National Commodity Processing Program. In an effort to make more bonus dairy commodities available to program sponsors, the U.S. Department of Agriculture implemented the National Commodity Processing Program. Through this program, the USDA enters into contracts with food processors to make finished products using bonus dairy commodities. To date, this program has used over 35 million pounds of bonus dairy commodities and has been a great benefit to program sponsors in Kansas in helping them to control food costs.

The National Commodity Processing Program will expire on June 30, 1985. Therefore, I urge you to support legislation to extend this program.

In summary, the importance of cash and commodity assistance for all meals served in the Child Nutrition Programs cannot be overemphasized. Therefore, I urge this committee to reject the proposals to cut funding for the Child Nutrition Programs.

Thank you very much, Mr. Chairman. Mr. Clemons and I would be happy to respond to any questions.

Senator BOSCHWITZ. Dr. Smith, if you would proceed.

STATEMENT OF DR. LOUIS E. SMITH, DIRECTOR, CHILD NUTRITION PROGRAMS DIVISION, IOWA STATE DEPARTMENT OF PUBLIC INSTRUCTION, DES MOINES, IA

Dr. SMITH. Thank you, Senator Boschwitz and Senator Harkin. I appreciate the opportunity to address you.

As indicated, my name is Louis Smith, and I am the director of the Child Nutrition Programs Division of the Iowa State Department of Public Instruction. As Senator Harkin has already indicated, I am responsible for administering six federally funded programs related to the feeding of children. Primary among these are the National School Lunch Program and the Commodity Distribution Program.

In the 6 years preceding the Omnibus Reconciliation Act of 1981, participation in the National School Lunch Program in Iowa's schools averaged approximately 75 percent of daily enrollment. Following the combined effects of the Reconciliation Acts of 1980 and 1981, which reduced cash and commodity support by a combined total of 12½ cents for all meals served, the average increase in lunch charges to Iowa students rose by 15 cents, which was accompanied by a decrease in average daily participation of 7 percent. This was predictable based upon an historical pattern in Iowa which demonstrates clearly that every increase of 1 cent in charges to students is accompanied by a one-half percent decrease in participation in our State.

Since the initial increase in average student charges created by the aforementioned cutbacks in Federal support, the school programs in Iowa have been working most diligently and innovatively to hold down charges to students. Such efforts have resulted in no

statewide median increase in meal charges to students since the original 15 cent increase in the fall of 1981. But even though progress has been made, only half the proportion of students who left the program in 1981 have returned to it. The trend continues to be positive, but any further decrease in Federal support will undoubtedly result in additional charges to students with resulting decreases in participation.

Supporting documentation which is attached illustrates the direct impact upon students which the proposed budget would have. Basically it would be expected to increase the average statewide cost to students from 75 cents to $1 and would, therefore, be expected to drop an additional 12 to 13 percent of students out of the program. This would mean that only slightly more than half of Iowa's students would be participating in the National School Lunch Program as opposed to the three-fourths of 4 years ago.

Parenthetically, it is to be emphasized that the original purpose of the National School Lunch Program was to address concerns about the poor nutritional status of America's youth. Hopefully, this is still the case. Recent studies have documented that the National School Lunch Program continues to successfully address this issue. However, any reduction in participation surely must be regarded as hindering this end.

Nutritional considerations aside, there would exist significant economic impact upon Iowa of anything which would reduce the vitality of the National School Lunch Program. During the 1983–84 school year, the U.S. Department of Agriculture purchased $126 million of Iowa agricultural products for distribution to Federal feeding programs, primary among which is the National School Lunch Program. The Federal Government returned $12.5 million of these commodities for use in Iowa schools. If to these amounts are added the Federal reimbursement received for qualifying meals served, local expenditures for food and supplies, and local level expenditures for wages for persons employed in the lunch program, a total is derived of approximately a quarter of a billion dollars. This is a significant factor in the economy of a State beset with great financial stress due to the well-known difficulties with the farm economy and the resulting rising unemployment based upon layoffs and closings in businesses dependent upon farming. Any disruption in this arena would have an immediate effect far beyond the lunch program itself.

As a summary consideration, in my judgment, the budget relating to child nutrition programs, as proposed, would not result in the projected savings as related to Iowa's circumstances. First, should we experience the anticipated large numbers of paying students dropping from the program, this will result in many school food authorities becoming entitled for additional funding since they would be expected to assume severe need status, which results when free and reduced price participation exceeds 40 percent of overall participation.

Also, since 1981, schools participating in the National School Lunch Program have not been permitted to participate in the Special Milk Program. This has resulted in a significant decrease in the amount of Federal support for this program. However, with increased costs to students, it is anticipated that many schools will

elect to drop the meal program and participate in the milk program, thus reinstituting a significantly higher level of costs for this latter program.

As Senator Harkin already pointed out, any decrease in overall participation has a tendency to increase individual costs since fixed program costs are then distributed among fewer participating units, thus resulting in each participant bearing a higher proportion of such costs. This will ultimately mean that if provision is still to be made for students qualifying for free and reduced price meals, the amount of Federal support for these meals will have to increase since present levels of support cannot expect to meet such increased unit costs.

While commodity support is as vital to the program as cash entitlement, it should also be mentioned that the proposed substitution of 12 cents in cash support by 12 cents in commodity value for meals served to students qualifying for special assistance is not an even trade. The cost of delivering, storing, and distributing additional donated commodities would result in an addition to program expense. If this proposal is adopted, additional funds need to be made available for the substitution to accomplish the inferred end result.

All of these circumstances would serve to offset a significant portion of the anticipated savings.

Because of the aforementioned, it is felt that any efforts to diminish support for the National School Lunch Program would be counterproductive to both the intended purpose of the National School Lunch Act as well as to the intent of the present budget proposal.

Thank you for the opportunity to address you. I would welcome any questions you might have.

Senator HARKIN. Thank you all very much for your excellent testimony.

I have a number of serious questions and I guess time has run out. But while the chairman is out, I have one I will throw out to anybody who wants to answer it.

Between the period of 1980 and 1983, there was an 18-percent increase, or 1.5 million in the number of children who were eligible to receive free lunches. However, during that same period, there was only an increase of 131,000 in children participating in the free lunch category.

What could be the reason for the great discrepancy? In other words, we had 18 percent, 1.5 million in the numbers eligible, but we only had 131,000 increase participating in the Free Lunch Program.

Have any of you taken a look at those figures before? In other words, we are always focusing on who dropped out. I am not trying to focus on in that period of time how many became eligible that we know about and how many actually participated. We have not really focused on that.

Ms. WHITE. I know that in California we did find that during that period of time we lost about 12 percent of our needy students in the program. We have tried to find out why, and as best as we can determine from talking with parents, a lot of it is redtape and a lot of it is just a distressing situation for the family.

For example, verification was initiated during that time; Social Security account numbers were required. The schools themselves have an inordinate amount of redtape and costs connected with the program which means they may not be reaching out to find students who are eligible. I think it is a mix of things. Particularly the verification and the Social Security account numbers have a tendency to discourage participation. Many families are intimidated.

Senator HARKIN. We have been focusing on the questions of who dropped out of the program, how many dropped out because of the increased costs. I want to focus a little attention on the fact that during this last 3- or 4-year period of time, we have had about 1.5 million children who have come into the schools that would be eligible for the Free Lunch Program because of income guidelines, and yet we only had 131,000 that participated. Rather than focusing on who dropped out, let us focus on who became eligible and, out of those, how many actually participated. And that is a great discrepancy and I was trying to figure out why.

Dr. SMITH. May I also comment, Senator, on something that has not been referenced.

If I recall correctly, Gene, you did not mention this. We are the fourth largest food business in the country surpassed only by two of the large fast food franchises and the Marriott Hotel Corp.

As a matter of fact, we represent a significant economic pool. In the State of Iowa, if you check any large high school, you will typically see located near it all franchised fast food outlets. They set up their business there by design. They offer an enticement to leave school, to have a cigarette, to get off the school grounds. We are constantly in competition with them. There would be some who would argue that is free enterprise; let it go. But they entice people, I think, who do not have the money to spend but they make it the "thing to do," a place to be seen.

We can sell a youngster in Iowa a lunch for 75 cents or give it to them free, but we fight constantly to keep youngsters in our program. We provide a nutritionally sound meal instead of the kinds of things that I guess all of us really like to eat when our id sort of takes over, but these are not good for us day in and day out.

I would like to just end by saying that Rita's comment is particularly meaningful relative to the National Commodity Processing Program and anything to do with those commodities. Give us the groceries. We are able to provide youngsters a good meal at a less cost than any other commercial enterprise can do it because we have the mechanics and the machinery in place. But there is a certain attraction to these settings that we constantly are fighting. And we are concerned not only with the economics of the thing, but we are concerned with health as well. I think that is something we tend to overlook in all of the politics and money that is thrown around.

Keep in mind that this program was originally instituted as a health program. We have the biggest health maintenance program in the United States operating in our schools. We want to see that it remains intact. I also address my concern from that perspective.

Senator BOSCHWITZ. I must bring this to an end. I apologize for interrupting you, Ms. White, but we have another panel and they

have less than 15 minutes, and the hearing by the rules of the Senate must end rather quickly.

So, Mr. Gill, if you would come up, and Pat Rife and also Ed Cooney, and I apologize to the members of this panel.

Pat Rife is a constituent of mine from St. Paul, and she is the director of the Child Care Food Program for Resources for Child Caring, which serves 4,000 kids a day and is the second largest sponsor of the Child Care Food Program in Minnesota.

Pat, why do you not proceed? And once again I must say that we are relatively constrained on time.

STATEMENT OF PATRICIA RIFE, EXECUTIVE DIRECTOR, RESOURCES FOR CHILD CARING, MINNEAPOLIS, MN

Ms. RIFE. Thank you, Senator Boschwitz. Greetings from home, and thank you for your past support of child care measures.

Members of the committee, I am Pat Rife, director of the USDA Child Care Food Program for Resources for Child Caring. I am going to skip quite a bit of what we already covered in my testimony, and you do have a copy.[1]

I appreciate the chance to testify on the effects of the proposed means test for the Child Care Food Program. I believe that if implemented the proposed means test will have a devastating impact on the quality of child care in day care homes.

The Child Care Food Program is a key component of our quality of day care and the entire quality of the day care system in the State of Minnesota. It offers providers an incentive for being licensed, nutrition training and reimbursement for the very costs of the food. It is largely responsible for strengthening the whole family day care system.

Family day care is a large part of our day care system in Minnesota because it is flexible. Flexibility is important to parents because it offers care when parents work odd hours, when there is no school, when parents must go out of town or work late, or when children are ill. It offers care in the warmth of a home rather than a more formal setting of a center. Of course, it also is less expensive.

In order to be a participant in the Child Care Food Program, providers must meet regulatory requirements. Most providers operate underground and do not pay taxes or make Social Security contributions. These women who choose to operate above ground and participate in the Child Care Food Program will be independent in their retirement years as they earn Social Security credits.

Our agency has developed materials to assist family day care providers in running their family day care home as a private business. We hold classes on tax procedures and recordkeeping. The classes are open to anyone, but almost 100 percent of the participants are enrolled in the Child Care Food Program.

If means testing takes place, the Government will erode the regulation of child care and family child care will become an even stronger subeconomy.

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[1] See p. 68 for the prepared statement of Ms. Rife.

The quality of the family day care in Minnesota and in other States has come a long way, and the Child Care Food Program is a great contributor to that quality of care.

I have been working with the Child Care Food Program since 1980 and I have seen positive growth of family day care providers as a result of nutrition training they receive through the Child Care Food Program.

We have spent a lot of time talking about the costs of the actual feeding of children. I am here to emphasize that this program is very much a part of the whole system of day care and that we need the support. This is the only Federal large support that we have for family day care, and most of the children who are in day care are in family day care in this country, and we need to realize that. Many children receive their only nutritionally balanced meals at their day care home. In homes who are participating in the Child Care Food Program, all children receive the same balanced meals and snacks and the same nutritional education. If a means test were imposed, it would segregate these children into low-income and those above. Income eligible children could conceivably receive a nutritionally balanced lunch of vegetables, meat, fruit, bread and milk, while other nonparticipants could receive a brown bag cold lunch of chips, Twinkies and a peanut butter sandwich.

How would a nonparticipating 4-year-old feel sitting next to someone eating an attractive fresh hot lunch and not understanding that difference?

I do not believe providers will cook separate meals for participants and nonparticipants. If she has only one income eligible child in her day care home and four are noneligible, I believe she will not take the time to fill out necessary paperwork, to go to required training classes, and cook special meals. I think she will drop out of the Child Care Program entirely, deciding it is not worth her time and, in this way, many poor children would be hurt because they would not receive the nutritional benefits of the Child Care Food Program, and their hunger would be increased.

Having basic nutrition needs met is certainly at the very core of quality care for young children.

I am just going to sum this up. We had a question earlier about collecting the information for the means test, and I believe that Mr. Bode answered by saying that it really is not a problem, that the sponsor could do it. I would like to say that in my program I know that if we have to do that, there will be an increase in the 32-percent-per-home to collect that information on every parent of every child in every day care home, and those homes have a tremendous turnover.

In our program of 850 providers, we have a 15-percent turnover per month of children, and that is very low compared to other programs nationally. Also, the provider will know what the parent is receiving or what the parents' income is because she receives a certain amount of money because of that income and she has to record it and she has to send it in every month, and she knows what she gets paid per child. It is her job to keep those records. So the answer to your question earlier, Senator, is it would cost a lot of money to do it and it would not be confidential. There is no way that it can be.

Prior to 1980, there was a means test for families participating in the Child Care Food Program. I was not working with the program, but my colleagues tell me there were many, many problems with that, and those are listed in my testimony.

A concern for child abuse is surfacing across this Nation. Yet the very quality of the child care is threatened by this proposal to cut the Child Care Food Program, the last source of Federal support that we do have for family day care. The 50 million that might be saved by implementing a means test is a great price to pay when we consider the negative consequences which would ensue for families, children, and low-income providers. As a matter of fact, 87 percent of the providers who do family day care are low-income women.

Senator BOSCHWITZ. Eighty-seven percent across the country?

Ms. RIFE. Yes. That is nationally.

In our program it is much less, less income for the already low-income provider, lower nutritional standards for young children, less regulation of home day care, lost revenue for the Government, and less available above ground day care homes for parents to choose from. The means test would result in a virtual elimination of family day care in the Child Care Food Program.

Family day care is the system that cares for the majority of children in day care. Without the Child Care Food Program, family day care will diminish. Without family day care, the shortages of day care slots will be critical in the years to come.

Senator BOSCHWITZ. I followed you along in your testimony. Did you make the points in this testimony I have about the underground economy?

Ms. RIFE. Yes, I did.

Senator BOSCHWITZ. I will read it in that case.

Mr. Gill, if you would proceed.

STATEMENT OF KEVIN F. GILL, CHIEF ADMINISTRATOR, OFFICE OF SCHOOL FOOD AND NUTRITION SERVICES, NEW YORK CITY BOARD OF EDUCATION

Mr. GILL. Mr. Chairman, my name is Kevin Gill. I am chief administrator for the New York City Board of Education's Office of School Food and Nutrition Services.[1]

Senator BOSCHWITZ. Do I have a copy of your testimony?

Mr. GILL. Yes.

Thank you for the opportunity to appear before you to discuss the Summer Breakfast and Lunch Program. I am hopeful that I will be able to demonstrate to the subcommittee that the program is compatible with your concerns with budget integrity and prudence, and that it is deserving of reauthorization and funding.

The New York City Board of Education has been functioning in an environment of fiscal austerity for some years now and has refined its ability to flourish even while operating within budgetary constraints. The management of our Summer Meals Program is directed toward ensuring the maximum nutritional benefits for our

[1] See p. 73 for the prepared statement of Mr. Gill.

children while working within a philosophy of effective budgetary utilization.

To understand the impact of summer feeding on the children of America in general and of New York City in particular, one need not be an expert on nutrition. And one need not be an expert on the economy to see why excellent management of the program is consistent with the aim of reducing the deficit. One need only apply common sense to the facts at hand.

In my testimony I indicate what hunger means in New York City, and I will go from there.

My colleagues have pointed out the success of the National School Lunch Program during the regular school year. I must point out the necessity for maintaining a program throughout the summer as well. We believe that it is essential to continue to supplement home provided meals during July and August in order to assure and safeguard the continuum of our childrens' well-being. It is in our Nation's self-interest. While there is a summer hiatus for many, the nutritional needs of our youngsters never have a day off. Their needs are all-year round. We are hopeful that by maintaining their nutritional needs during the summer, we will be providing sustenance to their academic achievement during the coming school year as well.

The board of education is the sole provider of breakfasts and lunches in New York City. We have been selected for a number of reasons, chief among them being the cost-effective manner in which we deliver them. In addition to the fact that we combine so many Federal, State, and city programs for the young, our human and physical resources are so vast that we are now serving more than 120 million meals per year. These resources and our enormous buying power enable us to spend more than half our reimbursement on food, thus ensuring that the taxpayer is getting a fair return for his investment.

Our Summer Feeding Program has been audited for the past several years by various of the big eight accounting firms under the auspices of the U.S. Department of Agriculture and the General Accounting Office. In addition, perpetual audits have been independently conducted by the board of education's auditor general, comptroller of the city of New York and the comptroller of the State of New York. Each final report is consistent in that they state that the program is well managed and not subject to abuse. Those commendations do not come easily. They result not only from the board of education's strict interpretation of the Federal guidelines but also from our application of modern management techniques. The reports have also helped us to maintain a national reputation for integrity and service.

During the summer of 1977, we served approximately 3 million meals. Last summer we were able to expand our services to more of our needy youngsters and we served 8½ million meals. Since the program is limited to high poverty areas by the Federal Government, these numbers support our stated goal of providing as many needy children as possible with a nutritious meal. We are anticipating serving approximately 9 million meals, better than 200,000 per day this summer. While that may be considered substantial, there are another 450,000 eligible children who are not participat-

ing in our summer program. We are hopeful that with your support we will eventually reach all of these youngsters.

Mr. Chairman, children are the Nation's most valuable resource. We have come a long way in improving their nutritional health. We do not want to undo our school year efforts and success, and we hope you will reauthorize the Summer Feeding Program.

Thank you.

Senator BOSCHWITZ. I expect it will be reauthorized and I notice the administration budget request is about what current law is.

Mr. GILL. I knew it was good testimony. [Laughter.]

Senator BOSCHWITZ. And I noticed there is just a very slight decrease from 123 to 117 million. That allows for the 2-percent increase, is that the idea? That represents the freeze but it still goes up slightly.

All right, unless Senator Harkin has some questions——

Senator HARKIN. No.

Senator BOSCHWITZ [continuing]. We can proceed with Mr. Cooney.

Mr. COONEY. Thank you, Mr. Chairman, for the opportunity to testify here today, and I will be as brief as I can be.

Senator BOSCHWITZ. We are going to follow the rule. If you start talking before 12, we can conclude.

Mr. COONEY. Since I do not get paid by the word any longer, I will proceed immediately.

I would like to submit my testimony for the record and also a response that the Center for Budget and Policy Priorities has prepared on the issue of who did drop out of the School Lunch Program. This was an issue, raised in the House Education and Labor Committee, and I would like to submit this document for the record.

Senator BOSCHWITZ. We will put it in. If you will give it to me, I will see it is put in. I would like to take a copy with me.[1]

STATEMENT OF EDWARD M. COONEY, CHILD NUTRITION SPECIALIST, FOOD RESEARCH AND ACTION CENTER

Mr. COONEY. I appreciate it.

I am a child nutrition specialist at the Food Research and Action Center. I would certainly like to thank you for your leadership in galvanizing the nutritional community last year with the Boschwitz amendment which we strongly endorsed. We think this indirectly and directly helps this year's work on the Hawkins amendment which is being proposed on the Senate floor, we believe today or tomorrow.

We would certainly like to welcome Senator Harkin as the new ranking minority member of this subcommittee and appreciate his help on child nutrition.

As you may know, the House Education and Labor Committee reported out a child nutrition bill which reauthorized for 3 years the five programs that we are talking about today. It also added $100 million in child nutrition benefits—which is about $350 million less than what H.R. 7 had originally proposed—and is in very

[1] See p. 87 for the material from the Center on Budget and Policy Priorities.

many respects similar to the Boschwitz amendment offered last year. It provides $60 million for the WIC Program in new funding and $40 million to improve the School Breakfast Program meal pattern. This school breakfast funding proposal is similar to a provision that we anticipate might be in the Harkin bill. The Senators here hopefully can address that issue. There is also a provision in the Harkin bill, we believe, on the Summer Food Program. We are sending a variety of mixed messages to the child nutrition community because, on the one hand, the administration has proposed that $400 million be cut and, on the other hand, Senator Hawkins is offering an amendment to eliminate it.

What we would propose at the Food Research and Action Center is to go back and deal with two basic elements which led to the development of sound child nutrition programs, and these are: A need to address the nutritional status of low-income children and a need to resourcefully use our agricultural abundance. We have always had a strong and vital Federal role in these programs. We have also enjoyed wide bipartisan political support for the program. But, Mr Chairman, like the flowers in the spring, both of these elements need to be strengthened and nurtured in order to sustain life. So we are hoping that this will happen in terms of the Hawkins amendment on the floor and also that this subcommittee and the full committee will report out a bill which reauthorizes child nutrition programs and not leave these programs in an Appropriations Committee limbo. We should also take a look at how low-income children benefit from the programs. A low-income child receives anywhere from a third to a half of his total daily nutrient intake in the National School Lunch Program. Think about that for a moment. School lunch is not only the best meal of the day for many children, but for some of those children it is the only meal of the day.

We have a series of specific provisions which we would propose to assist low-income children. One is that we change the School Breakfast Program by requiring schools to offer more protein, a wider variety of fruits and vegetables and whole grains, and that we reimburse them 6 cents for these food items. This is something that the National Evaluation of School Nutrition Programs, a U.S. Department of Agriculture, 4-year, $4 million study, has suggested that we do to improve the quality of the school breakfast meal pattern. We suggest you take a look at that.

We would also recommend a modest increase in funding as recommended in the Boschwitz amendment last year for the WIC Program.

One final note. Both of you Senators——

Senator BOSCHWITZ. I think that will take place.

Mr. COONEY [continuing]. Are from rural States. The Summer Food Program discriminates against rural areas because it requires all poor people in rural areas to live together because it is a requirement that you have to have 50 percent or more of your kids eligible for free lunches. In rural areas, not all poor folks decide to live together.

We would recommend a standard of 33⅓ percent which existed in the law prior to 1981.

My other comments are included in the record, but I would just strongly say that a freeze impact is very dramatic in 1987 and this has sort of been lost in the shuffle because most people who talk about a freeze in child nutrition programs would tell you it is a small cut. It is a small cut when it only applies to the last 3 months of fiscal year 1986. The full year impact of a freeze in child nutrition programs is $200 million in fiscal year 1987, and that means a school lunch director will have 7½ cents less for every free meal and 7½ cents less for every reduced price meal. They cannot pass that cost along to the kid because he is too poor and they are required by law to produce a meal that meets one-third of the child's RDA—recommended dietary allowance. They have less money to do it, and unless they are completely looney—and I think they are very competent—they cannot do it without the money.

Thank you for the opportunity for presenting this testimony.

Senator BOSCHWITZ. I will certainly read the document from the Center on Budget and Policy Priorities.

Did you pretty well cover your testimony?

Mr. COONEY. I would say I cut very significant portions, but I was very pleased with the fact that there are eight U.S. Senators here on issues of child nutrition and strongly supporting the programs, and I think that speaks for itself.

Senator BOSCHWITZ. We are under the rules of the Senate. Unless you, Senator Harkin, have anything in addition——

Senator HARKIN. No.

Senator BOSCHWITZ. I will bend the rules of the Senate for you.

Senator HARKIN. I know on the House side we had very strong bipartisan support for these programs. I do not mean that by bipartisan support it would mean unlimited amounts of resources, but bipartisan support to ensure that the data we got was correct, and to ensure that we addressed both areas, the economics area I raised, that we were not, you know, saving a dime some place to cost us another dime somewhere else, and then cut out a lot of poor people from the program, and then the whole fairness thing. So both of those on the economic and on the fairness and I think have good strong bipartisan support. And I am sure it will continue.

Senator Boschwitz has been a leader in this area on the Senate side and I am delighted to be here with him.

Senator BOSCHWITZ. As Mr. Cooney mentioned in his testimony although I did not hear him say it, it indeed has been bipartisan. Senator Dole has been very active along with Senator Hawkins, Senator Huddleston, myself, and others prior to your participation and others on your side as well. So we welcome your participation as you welcome mine, and I look forward to working with you on this.

This hearing is adjourned.

[Whereupon, at 12:08 p.m., the subcommittee adjourned, subject to the call of the Chair.]

APPENDIX

STATEMENT OF HON. JESSE HELMS
A U.S. SENATOR FROM NORTH CAROLINA

Mr. Chairman, I am pleased to be able to be here with you this morning. Child nutrition programs are an important, and large, part of the Department of Agriculture. Over $5 billion of the Department's budget is spent in this area--$3 billion for the school lunch program and over $2 billion for the school breakfast, child care food, summer, and WIC programs.

Significant budget restraint is proposed in this area within the President's fiscal year 1986 budget. Specifically, the Administration has recommended three provisions:

- o The elimination of Federal reimbursements on behalf of children from nonpoor families--those with incomes above 185 percent of poverty.
- o The reinstatement of a "means test" in the day care home portion of the child care food program.
- o A freeze on reimbursements for the free and reduced-price subsidies that would remain.

A reduction, rather than total elimination, of the subsidy to nonpoor families is contained within the Taxpayer Protection Plan, the Senate/Administration agreement on the budget.

Mr. Chairman, I am certainly aware that child nutrition programs are popular; indeed, they are popular with the Senator from North Carolina. But we all have some real soul-searching to do this year about what we can afford--in these programs ... and other programs.

The fact of the matter is that the Federal Government spends about $700 million annually to subsidize lunches to school children who are from families well above the poverty line, indeed, above 185 percent of the poverty line--which amounts to almost $20,000 for a family of four. About 75 percent of such families have incomes over 250 percent of poverty, or over $26,000 for a family of four. The average income is $33,000.

I am troubled, however, by this fact--that while the average family receiving benefits from the school lunch subsidy to "paying students" has an income of $33,000, the average taxpayer supporting this and other Federal programs has an income of $25,000 or so. Frankly, I find it difficult to rationalize continuing a policy which taxes citizens in expectation of spending their tax dollars on programs to support programs for those with considerably higher incomes--and a greater ability to pay, out of

their own pockets, for the benefits from this and certain other programs.

Mr. Chairman, I have wondered how many of the present Federal programs could be started, or enacted, now if this year were the year they were being initially proposed--knowing what we do about the size of the deficit. Frankly, I do not think many of these programs would be begun under these circumstances. We would come to the conclusion, in my judgment, that we simply cannot afford many of these programs--even though they may have done a great deal of good, even though they are popular with our constitutents, and so forth. Similarly, it seems we simply must give greater scrutiny in determining whether we can afford to continue some of these programs.

The school lunch program is generally a fine program. It has served the nation well. My primary concern is whether we--as a nation with a $200 billion annual deficit--can continue to spend $700 million or more per year for school children who are not poor by anyone's definition. We will still be spending well over $2 billion annually for those who are poor and additional millions for those who are somewhat above poverty.

The Senate/Administration compromise is a reasonable approach to reduce overall spending, and one which I hope this Committee will accept.

I have heard many of the arguments from supporters of the school lunch program. They claim that the program will come to some ruinous end. They claim that hundreds of schools and thousands of students will "drop out" of the program. And, underneath it all, they fear for the loss of their jobs in operating the school lunch program.

With all due respect to my friends, I have heard these same arguments--sometimes used almost as "scare tactics"--before. They said similar things in 1980 and 1981. We adopted major changes anyway, and the program has not only survived, but thrived. The overall objective then, and now, was to retarget Federal benefits to the poor.

This Committee has demonstrated in 1980 and 1981 that we can make major reductions in spending for child nutrition programs without demolishing the programs. We can make careful, selective reductions this year without doing damage to the operation of these programs.

I support the overall leadership package, including what I believe to be the reasonable reductions proposed in the school lunch program. Neither the Administration, nor the leadership, is trying to terminate, or otherwise undermine, the school lunch program. We are trying to find specific ways to achieve overall budget reductions.

If we fail to make these reductions now, more severe changes may be necessary in this and other programs in the future.

I would ask our witnesses this morning to address themselves squarely not only to the specific child nutrition proposals, but also to the budget context in which they must be considered. For this is the context in which we, as Senators, must evaluate these proposals. It would be wonderful if we could consider child nutrition programs in a vacuum. I would prefer that the overall

Federal fiscal picture did not require economy measures. However, we must deal in the realistic budget context that faces us.

STATEMENT OF HON. BOB DOLE
A U.S. SENATOR FROM KANSAS

As Chairman of the subcommittee, I thank Senator Boschwitz for offering to chair the hearing this morning. This is most helpful, given what is happening on the Senate floor today. Social Security and defense are big issues, but I think child nutrition budget issues have been a concern to many, including myself. Therefore, I'm glad we were able to schedule a hearing before the committee on Agriculture begins mark-up on the reauthorization of the 1985 farm bill and the food stamp reauthorization.

As this committee is aware, last year, we were not able to actually reauthorize the Nonentitlement Child Nutrition Programs, because there were a lot of unresolved differences on the approach that should have been taken at that time. Also, election year politics played a big role in the debate. This year, we are again faced with the necessity to reauthorize the Special Supplemental Food Program for Women, Infants, and Children (usually referred to as the WIC Program), as well as the Summer Food Service Program, State administrative expenses, and nutrition education and training.

With regard to the School Lunch and Breakfast Programs, and the Child Care Food Programs, there are some budget issues that should be focused upon, and that is the primary purpose of this hearing today. Most of you here today are aware that the current Senate Republican/White House budget agreement includes savings for Child Nutrition Programs totaling about $400 million for fiscal year 1986. This proposal assumes the elimination of the cash subsidy to "paying" students--about 12 cents for meals served to children from families whose income exceeds 185 percent of poverty. Since the original budget resolution, as reported from the Senate Budget Committee, included a total elimination of all subsidies to paying students participating in these programs, the compromise agreement represents a considerable improvement over the original budget resolution, which included child nutrition savings in the $700 million range.

Also, the budget agreement assumes that a means test will be imposed on the residential day care part of the child care food program. The only reason for the implementation of a means test on day care homes is that a recent study revealed that over two-thirds of the children receiving completely subsidized meals are from families above 185 percent of poverty. There is a belief among Members of Congress that this program should be better targeted to low-income children.

Before I conclude, I would like to welcome our Kansas State director of child nutrition, Rita Hamman. Her input over the years has been extremely valuable, and I appreciate her taking

the time to come to Washington to tell us how the current budget proposals will affect Child Nutrition Program in my home State. As people may be aware, Kansas is the only State in the country that does not receive commodity support, other than bonus commodities, so the impact of this budget proposal would be a little different out there.

Again, I thank all of you for being here today, and appreciate your sharing your views of current issues facing Child Nutrition Programs. Generally, these programs have fared well under the budget process. In 1981, these programs underwent budget reductions totaling about 21 percent of program costs, or $1.3 billion. Since further pending reductions are being proposed this year, consistent with reducing Federal subsidies to middle-income families, I believe we should examine what the impact on the programs as a whole will be before we proceed to enact these proposals.

STATEMENT OF HON. PAULA HAWKINS
A U.S. SENATOR FROM FLORIDA

Mr. Chairman: I want to thank you and the other members of the committee for holding this hearing on child nutrition this morning--with all of the pressures and time constraints imposed on us by the budget process, I applaud you for holding this most timely hearing, because these programs are seriously jeopardized in the current budget process. I hope Senators will carefully read the testimony presented here today on the importance of child nutrition and consider what they've learned when the issue comes before the Senate.

I know that many in this room and around the country are very concerned about our Child Nutrition Programs. I believe you will once again witness the support of the Senate for Child Nutrition Programs when I offer an amendment to restore the proposed cuts. I believe the Senate understands that proper nutrition for our children is one of our highest priorities, one which we cannot give up on. Not only is this commitment the proper thing to do for our children and families, but it is an investment in our future. Children who are hungry and ill-nourished cannot learn, and can have their mental and physical development stunted, for which society as a whole must pay for generation after generation.

Proper nutrition is the building block on which so many other facets of a young person's development depends, and I am here this morning to express my firm commitment to see that children receive the proper nutrition they require.

Again, Mr. Chairman, Thank you for holding this hearing--your personal commitment to children and child nutrition is well known and much appreciated by all.

STATEMENT OF HON. ALAN J. DIXON
A U.S. SENATOR FROM ILLINOIS

Mr. Chairman, I commend you for calling a hearing this morning of the Subcommittee on Nutrition.

The matter of Child Nutrition Programs is among the most vital we will face this year. The health of our children is of paramount concern to this Senator.

The director of family medicine at Cook County Hospital, one of the largest public facilities in the world, has said that malnutrition is at the root of 10 to 15 percent of cases that the hospital sees.

Illinois Department of Health officials say there has been a threefold increase in anemia cases in the State, and anemia is an early sign of poor nutrition.

We must not allow the Nation to slip back to the days prior to World War II when malnutrition was a significant problem in this country.

President Reagan has said that one hungry child in America is one too many. Well, Mr. Chairman, the sad fact is that there is not just one hungry child in America. There are many more. There are thousands in Illinois alone.

Allowing malnutrition to rear its ugly head in a country where it had been virtually eliminated is the result of misguided and short-sighted policies. All of us must work together to make sure hunger is reduced across our Nation. I pledge to do my part.

It is my hope that we in the Senate can agree to maintain these important programs for the health of our Nation's children.

Thank you, Mr. Chairman.

STATEMENT OF JOHN W. BODE
DEPUTY ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES
U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, and members of the committee, thank you for the invitation to appear before you today to discuss the administration's budget and legislative proposals for fiscal year 1986. We look forward to working with you in the coming months as we undertake the necessary and challenging task of maintaining vital service to the Nation's less fortunate while restraining Federal spending so that our enormous deficit can be reduced.

I am accompanied by Mr. George Braley, our Deputy Administrator for Special Nutrition Programs.

Before describing our proposals for fiscal year 1986, some comments about our recent experiences are in order. During fiscal year 1984, the School Lunch Program provided more than 3.8 billion lunches to students. Of these lunches, 49 percent were served to nonneedy students, 6.5 percent were reduced price and 44.5 percent were served free. The cash reimbursement and commodity entitlement to school was almost $3 billion. In addition, these schools received almost $440 million in bonus commodities.

Although it is not as large, the School Breakfast Program produced similarly impressive results. Last year, more than 590 million breakfasts were served, over 85 percent of which were free.

When you consider that our smaller programs (including the Child Care Food Program, the Summer Food Service Program for Children, and Special Milk Program) continued to operate at a high level, it is obvious that a large total food program effort has been maintained. In fact, total Federal child nutrition funding in 1984 was $3.9 billion, not including donations of bonus commodities. Under current law, we expect Federal funding to be $4.2 billion in 1985 and $4.5 billion in 1986. Our fiscal year 1986 proposals would reduce anticipated 1986 Federal funding by $686 million.

Now I would like to describe some of the features of the administration's fiscal year 1986 budget and legislative proposals. Before doing so, I must point out that the Senate leadership's compromise with the administration, if adopted, would supersede in some respects the earlier proposals I am about to mention. The compromise would discontinue the cash portion only of the upper-income meal subsidy, and it would limit cost of living adjustments to 2 percent for each of 3 years. Like the administration's original budget, it would require a means test for family day care homes.

We will continue operating these programs in a manner which ensures that eligible beneficiaries are well served. We will continue to seek improved program management so that the sizeable investment made by Federal and State taxpayers will be an effective one.

In order to meet these objectives, we are proposing to better target assistance to those in greatest need and to strengthen program integrity and efficiency.

The February budget request proposes to forego the cost of living adjustment for all Child Nutrition Program in 1986 in order to lower the growth of the programs and restrain Federal spending. Since the cost of producing meals in the Child Nutrition Programs has grown slower than inflation in recent years, schools should be able to absorb the costs of this one year freeze without hardship. Data from several studies of the Child Nutrition Programs indicate that the cost of producing a meal increased 7 percent between 1979 and 1983, while during the same period, the subsidies for free meals increased by 21 percent, that is, from $1.09 in the fall of 1979 to about $1.32 in school year 1983/84.

This change will account for only 5 percent of savings, or $38 million in 1986. For the 1987-88 school year, the cost of living adjustment would be resumed.

Since child nutrition subsidies go directly to institutions and not to individuals, needy children will not be affected by the one year COLA freeze and will continue to receive free meals. Changes, if any, to the reduced price category would be small. Recent data indicate that, on average, reduced price students now pay 37 cents for their meals. Even if some local decisions are made to "pass on" increased costs to these students, the average

reduced price meal cost could increase no more than 3 cents because of the 40 cent cap on reduced price changes.

WIC, however, will be exempted from the 1-year freeze policy. We propose to support WIC Program participation at the current services level of about 3 million persons per month in fiscal years 1985 and thereafter. This will require budget authority of approximately $1.4 billion in 1985 and $1.5 billion in 1986. This stabilization in participation is important following a 60 percent growth in caseload since 1980. For example, one in five infants now receives WIC benefits. However, over half the WIC caseload is composed of children ages 1 to 5 for whom the nutritional benefits of WIC are not well documented. Since other forms of assistance are available for children, we have some concern that the program is not as well targeted as it needs to be in order to use Federal resources prudently. Federal regulations include a priority system which requires that States target benefits to participants at highest risk within available resources.

The administration is proposing that the Summer Food Service Program, the School Breakfast Program, the Child Care Food Program, the WIC Program, the Food Distribution Program, and State Administrative Expense Funding, be reauthorized for 4 years (through fiscal year 1989). We are also recommending that the Nutrition Education and Training Program be reauthorized for 1 year.

We believe the Federal responsibility for nutrition aid should be primarily extended to ensuring access to adequate nutrition for the poor and near-poor, rather than giving generous meal subsidies to households which can easily afford to finance their children's meals.

Therefore, we are proposing to focus program benefits on lower income children by discontinuing the cash and entitlement commodity subsidies to school and institutions for meals served to participants from non-needy families in all Child Nutrition Programs. This would save $648 million in fiscal year 1986. In the case of the Child Care Food Program we would reintroduce a means test for households with children in family day care homes. This would be about $150 million of the savings in fiscal year 1986. At present, about 65 percent of family day care home participants come from families with incomes over 185 percent of poverty, yet they receive a free meal. Our proposal would restore the means test that existed prior to 1980. Since then, family day care homes have shifted dramatically toward serving upper-income children. This change would restore equity between day care centers and homes since meals served to nonneedy children will not be reimbursed in centers. Since day-care home providers already must pass a means test to qualify their own children for the program, this would not be a new and unfamiliar requirement to implement.

Currently, the law requires the Federal Government to pay schools and child care centers 24 cents in cash and commodity subsidies for each lunch served to participants from households with incomes exceeding 185 percent of poverty--nearly $20,000 for a family of four. We propose to eliminate these subsidies for

such households. Institutions would, however, continue to receive about 10 cents worth of bonus dairy commodities for each meal served.

I want to emphasize, Mr. Chairman, that no child eligible for a free lunch would be affected by our proposal. Students from upper income households, of course, would still be able to purchase a nutritious lunch meeting Federal standards. Even without the Federal subsidy, the school lunch will be a bargain, costing on the average only slightly more than a dollar. As I indicated earlier, the reduced-price charge cannot exceed 40 cents by law.

We know that some prophesy that upper income students will drop out of school meal programs rather than pay a slightly higher lunch price. They assert that schools will have to drop the program, thereby penalizing needy students who would no longer be able to participate.

We are not impressed with such predictions of catastrophe. These claims were made in 1981 but did not materialize. In part, we are not impressed because they ignore the facts of the present situation and the effects of the Omnibus Reconciliation Act of 1981.

What actually happened?

To begin with, there were school and student participation declines, which had absolutely nothing to do with the subsidy reductions made in 1981. School enrollment declined by 4.4 percent from September 1980 to September 1984. Because of this, we would have expected a decline in participation of about 1.1 million children even with no legislative changes in 1981. Furthermore, because of declining enrollments, some schools either closed or were consolidated, resulting in the termination of some school lunch programs.

You should not be misled by those who claim that these declines in participation were caused solely by the 1981 subsidy reductions.

There were between 50,000 and 100,000 participants in the high tuition private schools which were excluded from participating in the school lunch programs as a result of legislative changes in 1981. This, combined with the 1.1 million reduction in participation as a result of declining school enrollment, resulted in a decrease of 1.2 million participants.

Our data show that average daily school lunch participation in fiscal year 1981 was 28.5 million. After a decline in fiscal year 1982, participation in fiscal year 1985 has recovered to about 24 million. This is a decrease of 1.8 million participants compared to fiscal year 1981. As we have already indicated, 1.2 million of this decrease can be accounted for by declining school enrollment and the exclusion of certain private schools. That leaves approximately 600,000 lunch program "drop outs".

The implementation of income verification techniques which studies indicate lowered erroneous free and reduced price participation from roughly 25 to 12 percent, has also affected the mix of free, reduced price and paid participants. This dramatic reduction caused as many as 1.6 million participants who received free or reduced price lunches to change their participation status. These changes were reflected in the following shifts:

1. From free participation to reduced price, paid or nonparticipant status, and
2. From reduced price participation to paid or nonparticipant status.

We believe most if not all of the heretofore unexplained drop in participation of 600,000 is due to the shift to nonparticipant status of those who previously were receiving free and reduced price school lunches even though they were not eligible because their family income was too high.

Based on this analysis, we believe that only a portion of the reduction in participation since 1981 is due to OBRA. We further believe that this slight reduction which can be attributed to OBRA was caused by the exclusion of high tuition, private schools and the deterrence of fraudulent participation by families with incomes over 185 percent of the poverty line.

We would emphasize that Federal subsidies for lower-income children account for 85 percent of current school lunch expenditures--$2.7 billion in fiscal year 1985. Under proposed legislation, school food service operations will continue to receive considerable income from Federal nutrition programs. Also, schools will continue to receive bonus commodities, which account for about 30 percent of the current subsidy to institutions for upper income students.

Let me give you some examples. A school with 50 percent paid and 50 percent free participants will retain 87 percent of its present cash subsidy as well as a entitlement and bonus commodities. A school with 80 percent paid and 20 percent free participants will retain 66 percent of its present total subsidy. For local officials in schools with these low proportions of free participants to close the school lunch program because of the elimination of the upper income subsidies would require not only moral callousness but economic stupidity. To forfeit such large Federal subsidies would be politically hazardous, to say the least.

Turning to another of our proposals, we continue to be distressed by the inappropriateness of our Federal regional offices administering child nutrition programs simply because the States choose not to do so. We believe that it makes sense to require States to administer these programs unless they are prohibited by law. If a State is prohibited by law from administering these programs, we propose to give the Secretary authority to contract out their administration using a proportional share of the State's SAE funds to pay for the contracts. Such administration drains scarce Federal manpower and is not an appropriate Federal role. It has long been a State responsibility to make these programs available to its citizens.

That concludes my formal statement, Mr. Chairman. I will be happy to respond to any questions or comments from members of the committee.

STATEMENT OF GENE WHITE
REPRESENTING THE AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Mr. Chairman, members of the committee, we very much appreciate the opportunity to testify this morning. My name is Gene White. I am the chairman of the legislative and public policy committee of the American School Food Service Association. Until recently retiring, I was the director of child nutrition and commodity distribution for the State of California. I am also a past president of our association.

The National School Lunch Program is currently facing its most difficult challenge since being enacted in 1946. The administration started the year by seeking legislation to reduce Federal support for child nutrition by $686 million, almost all of which would come from the National School Lunch Program.

The budget resolution as reported by the Committee on the Budget presumes a savings of $0.7 billion in child nutrition. The Senate leadership--White House budget plan would lower this cut in child nutrition to $0.4 billion in fiscal year 1986, $0.5 billion in fiscal year 1987, and $0.7 billion in fiscal year 1988. The Senate leadership--White House plan is an improvement, but I do not believe that the Child Nutrition Programs can withstand even these cuts in Federal support.

It is the opinion of the American School Food Service Association that if these cuts are enacted, the National School Lunch Program would cease to exist as a nutrition and health program for all children and would, at most, provide a degree of income security to poor children living in pockets of poverty.

Mr. Chairman, there are a number of issues pending before the Congress which affect the Child Nutrition Programs. Given the overriding importance, however, of the pending proposals to eliminate all or some of the support for the "paying child"--both cash and/or commodity support--we would appreciate having our 1985 Issue Paper made a part of the hearing record so that we might confine our oral comments this morning to this one issue.

The Omnibus Reconciliation Act of 1981 reduced Federal support for child nutrition by approximately 30 percent. It was one of the steepest cuts contained in the Reconciliation Act. While the Child Nutrition Programs comprise less than one-half of 1 percent of the Federal budget, the Child Nutrition Program shouldered approximately 4 percent of the total savings enacted as part of the Omnibus Reconciliation Act. In short, the child nutrition cut enacted in 1981 was approximately 10 times greater than an across-the-board freeze.

In the White House budget plan currently under consideration, most of the child nutrition cut would come from the National School Lunch Program. Specifically, the cut would eliminate 100 percent of the Federal cash support paid to schools for meals served to children from families with incomes over $19,600 or 185 percent of the poverty line.

These "paying students" represent 45 percent of the 23 million students participating in the program. Approximately one-half of the 85,000 schools participating in the National School Lunch Program serve over 60 percent of their meals to paying students.

It is quite apparent that these cuts will affect many schools and many students. Conservatively, we should expect to see some 5 to 6 million children, and 10,000 schools, forced from the National School Lunch Program if the cuts proposed in the President's original budget are enacted into law. If commodities are retained and only the cash is eliminated the effect would, of course, be somewhat less.

The rationale for the administration's proposal is that the Federal money is an "upper income subsidy"--akin to food stamps for the wealthy--and therefore cannot be justified. To characterize Federal support received by local schools under section 4 of the National School Lunch Act as an "upper income subsidy" indicates a lack of understanding of how the program operates at the local level, how the funds are used, and of the differences between the School Lunch Program and a welfare program.

Let me briefly elaborate on some of these points:

The so-called "high income subsidy" is not a transfer payment to children or their parents. It is instead a grant-in-aid to schools to support the basic infrastructure of the School Lunch Program. It helps pay fixed charges which are part of the ongoing cost in all school food service programs. Without this support, many school districts simply could not afford to participate in the National School Lunch Program. When programs close, all children in the community, including poor children, are denied the nutritional and educational value of the program.

While there is a tendency at the Federal level to view the funds provided under section 4 and 11 of the National School Lunch Act as transfer payments to specific individuals, that is not how the program operates at the local level. All funds, from whatever source, are put into one local school food service account. Federal money, State and local cash assistance (if any) as well a student payments all go to support this one nonprofit program.

If the Congress were to eliminate section 4 funding for the "paying child" two things would happen:

First, there would be a significant increase in the price the child pays for the school lunch. A recent USDA study on the National School Lunch Program indicated that the price of the meal is the most important factor in determining whether or not a child participates in the School Lunch Program.

The children affected will be from families with incomes between $20,000 and $35,000 and poor children in schools that can no longer afford to operate the program. Many of these families simply cannot afford a significant increase in meal prices. As a result, several million middle-income children would eventually drop out of the program because they could not longer afford to participate.

Second, schools in which the majority of students are "paying students" and where there is a very low percentage of free and reduced price school lunch participation, would no longer be financially able to continue to participate in the Federal program. Schools with only 20 percent free and reduced price meals, for example, would receive no cash subsidy for 80 percent of the meals. Many of these schools would close their program.

As a result 20 percent of the children, those who are poor, would receive no benefits.

Mr. Chairman, implicit in this proposed budget cut and going far beyond the debate over "how many" schools or students would be forced from the program is a central policy question. Since enactment of the National School Lunch Act in 1946, it has been the congressional goal of this program to serve the nutritional needs of all children. It was never intended as a welfare program aimed exclusively at poor children. Passage of the budget cut assumed in the budget resolution would not only eliminate millions of students and thousands of schools from the program, it would change the nature and basic purpose of the program.

The National School Lunch Act was passed immediately after the Second World War because we discovered that many draftees failed their physicals as a result of nutrition deficiency diseases. Just 3 years ago, in 1982, the Department of Agriculture released the most comprehensive study yet on the National School Lunch Program. They found the program to be nutritionally important to students in all income categories. The report states: "The superiority of school lunch is reflected in a higher daily intake of nutrients for general school age population and for all population subgroups that were examined."

We are, therefore, deeply concerned about the policy implications of this budget proposal. The National School Lunch Program is a popular program and a program with a proven track record of success.

If we were to enact the proposed budget cut, we would fundamentally change the character, purpose and goals of the program and how it is accepted by local school boards all across the country. School administrators who currently support this health, education, and nutrition program operating within the school facility may not be able to support a welfare or income security program.

It is interesting to note, Mr. Chairman, that when this cut was first proposed in 1981, it was referred to as terminating subsidies to "nonpoor" students. In 1982, it had become the proposal to eliminate the "middle income" school lunch subsidy. Now, in 1985 it is being referred to as the "upper income" subsidy. But who are these children who participate in the National School Lunch Program who are not receiving a free or reduced price lunch, have family incomes between $20,000 and $40,000--just like the population as a whole?

The advocates for this cut rhetorically, "Why should a child with $250,000 in family income receive a 12 cent subsidy?" Well, the short answer is that they shouldn't and they don't. First of all, the subsidy does not go to the child, it goes to the school, as I have mentioned already. Further, even if we were to enact legislation that eliminated all subsidies to schools for meals that were served to truly "high income" children--let's say with a family income above congressional salaries--it probably wouldn't save enought money to justify the administrative complexity of the proposal. Finally, it is interesting to note that wealthy children who attend expensive private schools have already been eliminated from the program. The Omnibus Reconcili-

ation Act of 1981 contains a provision that eliminated all private schools with tuitions above $1,500 from the National School Lunch Program.

Let me conclude by noting that the vast majority of the Federal support for child nutrition is already means tested. Out of the entire $4 billion child nutrition budget approximately $500 million--$250 million in USDA commodities and $250 million in cash--is attributable to the participation of nonpoor students. This $250 million in cash is the glue that holds the program together; it is our best investment in America. It allows us to feed 23 million children a day in the context of a health and nutrition program and avoid a welfare program stigma. A hungry child, whether poor or nonpoor, is dulled in curiosity, lower in stamina, and distracted from learning. We urge the committee and the Senate to reject the proposal to lessen the Federal commitment to child nutrition.

The National School Lunch Program is the world's largest and most effective child nutrition effort. We are proud of this program, Mr. Chairman. It has made an outstanding contribution to the health and education of our Nation's young people. It is an important part of our national life.

Thank you, I would be happy to answer any questions you may have.

The following issue paper was supplied by Mrs. White and referred to in her prepared statement.

THE AMERICAN SCHOOL FOOD SERVICE ASSOCIATION
1985 LEGISLATIVE ISSUE PAPER

Background and Introduction

The American School Food Service Association (ASFSA) is a nonprofit association of approximately 60,000 members who are responsible for planning, preparing, and serving school meals. As such, ASFSA is vitally concerned about the health and nutritional well-being of the nation's children.

Child Nutrition was an active area in the 97th and 98th Congressional sessions. In the 97th Congress, federal funding for child nutrition was reduced by one-third, or approximately $1.5 billion. As a result, participation in the National School Lunch Program declined by approximately 3 million children per day. Almost one million of these three million children were poor children who had formerly received a free or reduced-price lunch. In the 98th Congress, various proposals to restore funding, as well as legislation to enact additional cuts, all failed.

On February 4, 1985, as part of the 1986 budget, President Reagan proposed to further reduce federal support for child nutrition by $686 million, in addition to a "freeze" of those reimbursement rates that would continue to exist. The American School Food Service Association (ASFSA) having met to consider the current issues facing the federal Child Nutrition Programs, and with the events of recent years in mind, respectfully requests that the Congress consider the following positions:

Program Reauthorization

1. ASFSA supports a four-year extension of the several Child Nutrition Programs whose authorizations expire at the end of the current fiscal year: The Nutrition Education and Training Program, the Summer Food Service Program for Children, the Commodity Distribution Program, and the provision for State Administrative Expenses (SAE) expire on September 30, 1985. All other Child Nutrition Programs, including the School Lunch Program and the School Breakfast Program, are permanent.

General Assistance Support

2A. ASFSA strongly opposes the elimination of cash and commodity support based upon the participation of students with family income above 185 percent of the poverty line. This proposal would lower the federal subsidy by 24 cents per meal for approximately half of all the lunches served nationwide and would, therefore, jeopardize the very existence of the National School Lunch Program.

The rationale for the Administration's proposal is that this support is an "upper income subsidy" and cannot be justified. The characterization of federal support received by local schools under section 4 of the National School Lunch Act as an "upper income subsidy" indicates a lack of understanding of how the program operates at the local level, how the funds are used, and of the differences between the school lunch program and a welfare program.

The so-called "high income subsidy" is not a transfer payment to individuals but is a grant-in-aid to schools to support the basic infrastructure of the school lunch program. It helps to meet other relatively fixed overhead expenses. Without this support, many school districts could not afford to participate in the National School Lunch Program, thereby depriving all children in the community, including poor children, of the nutritional value of the program.

It is conservatively estimated that 5 to 6 million children and 8,000 to 10,000 schools will be forced from the National School Lunch Program if the proposed cuts are enacted.

2B. As part of its proposal to eliminate school lunch general assistance, the Administration is seeking to lower the reimbursement rate for free and reduced-price lunches by approximately 12 cents and substitute USDA commodities for this cash support. While this proposal would maintain the current level of total commodity purchases nationwide, the restructuring of the nature of the federal support for free and reduced-price school lunches will cause major disruptions at the local level.

National Commodity Processing

3. ASFSA supports, as an indispensable element of the commodity program, the National Commodity Processing program to work in conjunction with state processing so that schools throughout the country may derive the full benefits of the Program.

Turnback to States

4. ASFSA opposes eliminating the requirement that USDA directly administer Child Nutrition Programs in states that do not have a legislative prohibition agreement against this activity. The only ones to be penalized in this situation would be the children now participating in a federal nutrition program. True, it would be ideal if states administered all programs, but the Child Nutrition Programs are national programs. To deprive a minority of children these benefits would not be in the best interest of the nation's children.

Child Care Food Program

5. ASFSA supports the continuation of the Child Care Food Program as currently authorized. Additional eligibility qualifications should not be incorporated until proven cost effective.

Nutrition Education and Training Program

6. ASFSA supports the original concept of 50 cents per child per year for the purpose of nutrition education for students and ongoing training for food service personnel.

H.R. 7 (Hawkins)

7. ASFSA supports the provisions contained in H.R. 7. In 1984, the House of Representatives, by a vote of 343-72, passed H.R. 7, which would have restored some $200 million in child nutrition funding and made other important improvements in the programs. In the Senate, a companion bill was introduced, as was legislation by Senator Rudy Boschwitz (R-Minn.), that would have restored approximately $100 million in child nutrition funding. ASFSA supported these bills and continues to support the provisions that were contained in them as a statement of nutritional need.

Chairman Augustus Hawkins, House Education and Labor Committee, reintroduced H.R. 7 on January 3, 1985.

Jeffords Amendment:
Competitive Food Sales

8. ASFSA supports the strict regulation of competitive foods and passage of the "Jeffords" amendment. Current law allows the sale of competitive foods, found by the Secretary to be nutritionally satisfactory, only "if the proceeds from the sales of such foods will inure to the benefit of the schools or of organizations of students approved by the school." The Jeffords amendment would compliment this section by providing that "A school or food authority participating in a program under this Act may not contract with a food service company to provide a la carte food service unless such company agrees to offer free, reduced-price, and full-price reimbursable meals to all eligible children.

S. 308 (Hart)

9. ASFSA supports S. 308, which would amend the Internal Revenue Code of 1954 to reduce the deduction for business meals and to earmark the savings from such reductions for the Child Nutrition Programs. This legislation, which will leave no impact on the federal budget, will substantially restore funding to the level that existed prior to the 1981 cuts.

State Administrative Expense Funding

10. ASFSA supports adequate state Administrative Expense Funding (SAE) for state administration of quality Child Nutrition Programs. We would oppose any effort to reduce SAE funding to the states.

Nutrition Programs for Elderly

11. ASFSA supports the use of school food facilities, equipment, and personnel to assist nonprofit nutrition programs for the elderly.

Feasibility Study

12. ASFSA urges the Congress to undetake a feasibility study or pilot project on all the various methods of operating a self-financing school lunch program for all children.

SCHOOL LUNCH QUESTIONS AND ANSWERS

1. Question. Why should the Federal Government give a child with $25,000 in family income 25 cents toward a school lunch?

Answer: It doesn't. The so-called "high income subsidy" provided by section 4 of the National School Lunch Act is not a transfer payment to individuals--akin to food stamps for the wealthy--but a grant-in-aid paid to schools. It is an effort to help support the basic infrastructure of the School Lunch Program and thereby encourage local communities thoughout the country to participate in the National School Lunch Program. The money is used to help pay the relatively fixed overhead expenses. Without this support many school districts could not afford to participate in the National School Lunch Program, thereby depriving all children in the community, including poor children, of the nutritional value of the program.

2. Question. What percent of the cost of the school lunch is nonfood, overhead expenses?

Answer: Approximately 50 percent of the cost of a school lunch is nonfood costs.

3. Question. Why should the Federal Government contribute 25 cents/meal to schools in order to support the infrastructure of a school lunch program, and thereby benefit non-poor children indirectly?

Answer: Because the National School Lunch Program is a food and nutrition program aimed at improving the health of all

children, not just poor children. Section 4 funding has been available since enactment of the National School Lunch Act in 1946. The act was established as a measure of national security to safeguard the health and well being of all the Nation's children. The free and reduced price lunch program was added to the program in the early 1970's.

If section 4 funding were eliminated, the National School Lunch Program would cease to exist as a nutrition and health program for all children and would, at most, provide a degree of income security for poor children living in pockets of poverty.

4. Question. Has the School Lunch Program been successful in improving the health of the Nation's children?

Answer: Yes. A recent USDA study indicates that the School Lunch Program improves the nutritional intake of children in all income categories. Further, the Field Foundation medical team, which has conducted studies on the question of hunger in the poorer sections of the country, has reported to Congress that the School Lunch Program, along with other food programs, has dramatically reduced hunger in America.

5. Question. What would be the consequence of the proposed school lunch budget cut if it were enacted?

Answer: The Library of Congress, Congressional Research Service, estimates that some 7.3 million children in approximately 17,900 schools are at high risk of dropping from the program under the Administration's proposed school lunch cuts. Many individual States are estimating a more severe consequence. The State of New Mexico has predicted that 35 percent of the schools in the State of New Mexico would be forced from the National School Lunch Program. The State of New York, Department of Education, estimates that 38 percent of the schools would drop from the program. Were these statistics projected nationwide some 30,000 schools could be expected to drop the program.

6. Question. The pending child nutrition cut of $686 million is less than the child nutrition cut enacted in 1981. Why is it expected that more schools will drop out of the National School Lunch Program as a result of these cuts than did, in fact, drop out after the 1981 cuts?

Answer: The proposed 1985 child nutrition cut would result in much harsher consequences for the School Lunch Program for several reasons

1. The proposed school lunch cut is double the 1981 cut on a per meal basis, 24 cents per meal, as compared to the 11 cents per meal cut enacted in 1981.
2. We would not be able to again reduce the quantity of food served as we did under the "Offer vs. Serve Rule", enacted as part of the Omnibus Reconciliation Act of 1981, which lowered the cost of a school lunch.
3. The USDA "bonus" Commodity Program, which mitigated the full impact of the 1981 cut, will not be expanded in 1985 to mitigate the impact of the pending child nutrition budget cut.

May 1, 1985

Mrs. Gene White
Chairman, Legislative Committee
American School Food Service Association

Dear Mrs. White:

The American Dietetic Association, a professional organization of 50,000 nutrition professionals, commends the American School Food Service Association for taking the lead role in defending the National School Lunch and Breakfast Programs.

The ADA shares the concerns of ASFSA that the current Administration's policies will be injurious to the School Lunch and Breakfast Programs. It is vital that the goals of these programs be maintained. Further cuts in these program may compromise the well-being of thousands of American children by turning the School Lunch and Breakfast Programs into welfare-type programs.

The American Dietetic Association endorses the testimony ASFSA will give before the Nutrition Subcommittee of the Senate Agriculture Committee on May 2, 1985. ADA has also endorsed ASFSA's 1985 Legislative Issue Paper on the Child Nutrition Programs.

We applaud your continuing efforts in this arena. If the Association can be of assistance to you, please do not hesitate to call on us. In Washington, we are represented by Latham, Watkins & Hills: Cindy L. Witkin, M.P.H., R.D., may be reached at (202) 828-4400. Our Government Affairs office is currently located at our headquarters in Chicago: Cathy Babington, M.B.A., R.D., Assistant Executive Director, may be reached at (312) 280-5091.

Sincerely yours,

Donna R. Watson, R.D., President

April 17, 1985

The Honorable James Abdnor
United States Senate
309 Hart Building
Washington, D.C. 20510

Dear Senator Abdnor:

The undersigned education associations ask your support for an amendment to the budget resolution sponsored by Senator Paula Hawkins and any other amendments to restore proposed savings in the School, Lunch, and Breakfast Programs. The proposed savings in the White House CCC compromise would terminate the cash subsidy for students who pay the full price for school lunches, and eliminate the inflation adjustment for the free and reduced cost lunch program and the breakfast program.

Terminating the cash subsidies for students who pay full price and eliminating the inflation adjustments may have a harmful effect on the school lunch and breakfast program for three reasons. First, losing the cash subsidy means that school districts would

have to use local or State funds to make capital improvements or pay school food service employees. This would mean an increase in the cost of meals for all students and would cause an estimated 5,000 to 6,000 schools to drop the Federal nutrition program. This is not to say that school districts would not serve lunch, rather they would drop the Federal program.

If a school district drops its lunch program, and raises the price of each meal to makeup their lost subsidies, poor students will be hurt more than any other group of students. One need only look at the latest data from the 1980 Census that 40 percent of persons in poverty are 17 or under to understand the need for nutritious meals and continued federal support for school lunch programs. It is a myth that terminating the cash subsidy for middle class students who pay the full price for meals will not hurt disadvantaged students. Needy students will certainly be hurt if school districts do not have free and reduced meals and raise the cost of meals.

In 1968 the television documentary "Hungry in America" showed poor students watching their classmates eat because they could not afford lunch. The documentary contributed to the establishment of subsidized meals for such students. The needs are no less great today.

Thank you for your interest and consideration. If you have any questions please contact any of the identified individuals in the undersigned organizations for further information.

Yours truly,

Joseph J. Scherer, Ph.D.,
American Association of School Administrators;
Linda Tarr-Whelan, National Education Association;
Arnold Fege, National PTA;
Michael Casserly, Council of Great City Schools;
Amy Peck, The Council of Chief State School Officers;
Greg Humphrey, American Federation of Teachers;
Marshall Matz, American School Food Service Association;
and Michael Resnick, National School Boards Association

CHILD NUTRITION BUDGET CUT: OPPOSITION TALKING POINTS

The Senate Republican Leadership-White House budget plan calls for a cut of $400 million in child nutrition (down from $700 million) during fiscal year 1986, and a $1.8 billion cut over 3 years. Most of the savings are attributable to a 100 percent elimination of the Federal cash support paid to schools and institutions for meals served to children from families with incomes above $19,600.

According to the Library of Congress, Congressional Research Service, under the original $700 million proposal some 7.3 million children and approximately 17,900 schools were at "risk of dropping from the program".

The American School Food Service Association estimates that under the new budget plan 3-5 million children and 5,000-6,000 schools will be forced from the National School Lunch Program.

When a school is forced from the National School Lunch Program all children, including poor children, lose access to the National School Lunch Program.

The so-called "high income subsidy" is not a transfer payment to individuals but a grant-in-aid to schools that supports the basic infrastructure of the school lunch program.

The effect of a "freeze" in fiscal year 1986 hits the school lunch program very hard in the out years. Since the school year starts in July, a freeze in fiscal year 1986 only affects one school month, September, 1986. In effect, therefore, almost the entire $400 million cut in fiscal 1986 is above a freeze. It is also why the out-year cut grows to $800 million in fiscal year 1988.

The Omnibus Reconciliation Act of 1981 reduced child nutrition funding by approximately one-third. While the child nutrition programs represent less than one-half of 1 percent of the Federal budget, they shoulder 4 percent of the cut enacted as part of the Omnibus Reconciliation Act. In short, the child nutrition cut enacted in 1981 was approximately 10 times greater than an across-the-board freeze.

The 1982 Department of Agriculture study on the school lunch program found it to be nutritionally important to children in all income categories. It states that "the superiority of the school lunch is reflected in higher daily intake of nutrients for the general schoolage population and for all the population subgroups that were examined." Hungry children don't learn!

Contact: Marshall L. Matz, Counsel, American Food Service Association

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STATEMENT OF RITA HAYMAN
ON BEHALF OF THE KANSAS STATE BOARD OF EDUCATION

Mr. Chairman, Members of the Committee, my name is Rita Hayman. I am director of the School Food Service Section in the Kansas State Department of Education and I am speaking on behalf of the State Board of Education. Mr. Bob Clemons, Chairman of the Kansas State Board of Education, is also here today. I appreciate the opportunity of being invited here to testify on behalf of the Child Nutrition Programs and to urge you to reject proposals to cut funding for these programs.

The Kansas State Department of Education administers the school nutrition programs in 304 public school districts and 96 private schools and residential centers. More than two hundred child care centers and 1,800 family day care homes participate in the Child Care Food Program. Today, I will address issues concerning three programs: (1) National School Lunch Program, (2) Child Care Food Program, and (3) the National Commodity Processing Program.

National School Lunch Program

The goal of the National School Lunch Program is to safeguard the health and well-being of the Nation's children. As a program administrator, I am happy to report to you we are meeting this goal. However, I am concerned about meeting the goal in future years because of the proposal to eliminate cash and commodity assistance for lunches served to students in the "paid" category. Dollars provided to local schools through section 4 of the National School Lunch Act are important to the National School Lunch Program because they represent a philosophy that the program is providing for the nutritional health of all children. It is the section of law that keeps the National School Lunch Program from becoming exclusively a welfare program.

During March, 1985, 68 percent of the school lunches served in Kansas were to students who paid full price for the meal. Without the support of cash and commodity assistance, many districts in Kansas will not be able to afford to participate in the program. Due to the depressed farm economy, the local boards of education will find it difficult to raise either the local mill levy or the price for student lunches. If this happens, both upper income and poor children are sure to be deprived of the program's nutritional benefits.

The Kansas State Department of Education has identified 371 schools in 106 districts which serve fewer than 20 percent free or reduced price meals. All of these schools would be considered likely to cease participation in the National School Lunch Program if reimbursement cuts are enacted.

If these schools withdraw from program participation, an estimated 14,000 students now receiving free and reduced price meals daily plus an estimated 81,000 students who pay full price for their meals will be forced to go elsewhere to buy a lunch, bring a lunch from home, or purchase snack foods which may be sold at school. The Nutrition Education and Training Program Needs Assessment conducted by Kansas State University in 1980 found that school lunches are more nutritious than lunches carried from home or obtained from other sources. Therefore, the alternatives in lieu of a school lunch program would not provide the same nutritional benefits to students.

I am also concerned about the future of the program in schools that choose to continue participation. If Congress would eliminate cash and commodity assistance for the "paying child", the reimbursement per meal will be reduced by 24 cents. Assuming that all students continue eating school lunches, and not allowing for inflation, the price per meal would be increased by approximately 25 cents. Based on past experience, participation of paid students decreases 0.8 percent for each cent of increase; therefore, a decrease of approximately 20 percent participation of paid students could be expected. Since the majority of Kansas districts serve a high percentage of paid meals, as many as 950 additional schools would be at risk of dropping the program because the administrative responsibilities would outweight the financial advantage of participation.

If Congress would enact the "Compromise Budget" negotiated by the Senate Republican leadership and the Administration, only cash assistance (12 cents per lunch) for "paid" meals would be eliminated. Although this reduction in funds is much better than the original budget proposal, significant consequences will still occur, and local schools will raise meal prices approximately 15 cents per meal, resulting in an approximate 12 percent decrease in participation of students who pay full price for meals.

The Child Nutrition Programs are a sound investment in America's future because when children learn to eat nutritious foods, many of the diet-related health problems are less likely to occur later in life. Although families with higher incomes may be able to pay an increased price for a school lunch, research has found families are more interested in saving money than purchasing nutritious foods. Today many families are sending sack lunches to school under the faulty assumption they are saving money. Observations by Kansas State Department of Education School Food Service staff members indicate many of the lunches do not include nutritious foods, but rather they contain snack foods which are high in sugar, salt, and fat. By retaining the federal reimbursement for meals served to children in the paid category, meal prices can be kept low, thus providing an incentive to purchase a nutritious meal. If students in the paid category continue to participate in the program, schools will be less likely to withdraw from program participation.

Child Care Food Program

The second program I will discuss is the Child Care Food Program, which will also be affected if budget cuts are enacted. At the local level, the Child Care Food Program in child care centers is administered in a similar manner as the National School Lunch Program. Enrolled children are categorized according to the income level, and reimbursement per meal varies according to the income category. Elimination of both cash and commodity assistance for "paid" meals would result in the closure of some centers. For other centers, the loss of federal assistance would mean withdrawal from the program and lowering the nutritional quality of meals served so they could maintain competitive child care rates and continue operation.

The family day care home portion of the Child Care Food Program is somewhat different because reimbursement rates do not vary according to the income category of enrolled children. For that reason, the budget proposals include a "means test" to be applied to the family day care homes.

In Kansas, we have given this issue much consideration, and we have discussed with sponsoring organizations of day care homes, the possible implementation of a "means test". We do not have good recommendations, but I do want to share some thoughts about this issue with you.

A "means test" implies collection of family income data for enrolled children so the provider can meet certain eligibility criteria, such as having a certain percent of enrolled children from families that qualify for the free and reduced priced

categories. Sponsors believe parents of children in care would be reluctant to complete an income form for a family day care home provider who, in many cases, would be a friend and/or neighbor. The parents of children in care do not receive direct benefits, such as lower child care rates, thus they would have little incentive to provide personal income information. For these reasons, a provider may find it difficult to qualify for program eligibility.

The procedures for claiming and disbursing reimbursement could create a mountain of paperwork, and cause both family day care providers and sponsoring organizations to cease program participation. Extensive recordkeeping by both the provider and sponsoring organization would be required if reimbursement would be based on the individual income category of each child.

If reimbursement rates would be based on the percent of free and reduced price children served through each organization, the sponsoring organizations would compete for sponsorship of homes caring for poor children and no one would be interested in the homes caring for middle-income children. I don't believe this type of competition would be desirable.

In summary, I believe a "means test" for family day care programs would be difficult to administer at both the local and State levels.

National Commodity Processing Program

The third program I want to discuss is the National Commodity Processing Program. The commodity assistance is very important to the operation of all Child Nutrition Programs. In addition to the entitlement commodity assistance, the bonus dairy commodities have helped soften the full impact of the 1981 budget cuts.

In an effort to make more bonus dairy commodities available to program sponsors, the U.S. Department of Agriculture implemented the National Commodity Processing Program. Through this program, the USDA enters into contracts with food processors to make finished products using bonus dairy commodities. The price of the food products is then discounted to eligible recipient agencies by the value of the commodities contained in the product. To date, this program has used over 35 million pounds of dairy commodities and has been a great benefit in helping program sponsors control food costs.

The National Commodity Processing Program will expire on June 30, 1985. I urge you to support legislation to extend this program.

In summary, the importance of cash and commodity assistance for all meals served in the Child Nutrition Programs cannot be over emphasized. Therefore, I urge this Committee to reject the proposals to cut funding for the Child Nutrition Programs.

On behalf of the Kansas State Board of Education, I want to express my appreciation for the opportunity to testify before your committee. Mr. Clemons and myself would be pleased to respond to any questions you may have.

STATEMENT OF PAT A. RIFE
U.S.D.A. CHILD CARE FOOD PROGRAM, DIRECTOR
RESOURCES FOR CHILD CARING, INC., ST. PAUL, MN

Mr. Chairman, members of the committee, I am Pat Rife, director of the U.S.D.A. Child Care Food Program for Resources for Child Caring, Inc. in St. Paul, MN. We are a nonprofit organization which offers support and assistance to parents, family day care providers, day care center staff, employers, and other child care related public and private agencies. We are dedicated to the quality of care for young children. Our services include information and referral, a toy library and resource center, employer services, a sliding fee program, an infant care-giver recruitment program, and training classes. Also, we are an umbrella sponsor of the U.S.D.A. Child Care Food Program for 850 family day care homes; the majority of which are located in the metropolitan area of Ramsey County in St. Paul. These homes serve over 4,500 children each month.

I appreciate the chance to testify on the effects of the proposed means test for the Child Care Food Program. I believe that if implemented, the proposed means test will have a negative, devasting impact on the quality of child care in day care homes.

The Quality of Care in Minnesota

The State of Minnesota is a national leader in the area of quality child care. We require licensure of family day care homes. The licensed provider must take six hours of training to keep the family day care licensee. Our State has recognized the need for a child care subsidy for low-income working parents, for which we have a sliding fee program. We are trying in Minnesota to put more money into day care but none fills the role that the Child CAre Food Program does. It offers providers incentive for licensure, nutrition training, and reimbursement for the cost of food. It is largely responsible for strengthening the family day care system.

Family day care is a very large part of our day care system in Minnesota because it is flexible. Flexibility is important to parents because it offers care when parents work odd hours, when there is no school, when parents must go out of town or work late, or when children are ill. It offers care in the warmth of a home rather than a more formal setting, and family day care is often conveniently located near parents' homes or work settings. Center care is often more expensive than home day care.

Affordability is an important component of quality care. In Ramsey County there are 20,000 children under 6 whose mothers work. That represents 50 percent of all children in that bracket (compared to 10 percent in 1950). A survey of the Child Care Food Program conducted in 1983 by the Northwest State Child Nutrition Directors and Child Care Food Program Coordinators found that 69 percent of the children enrolled in family day care and using the Child Care Food Program were from blue collar families. Child Care Food Program participants are able to keep their fees reasonable because they are reimbursed for food served. Approxi-

mately one-third of the cost of running a day care home is for food.

The Child Care Food Program Effect of Quality of Care

The quality of family day care in Minnesota and in other states has come a long way, and the Child Care Food Program is a great contributor to that quality of care.

I have been working with the Child Care Food Program since 1980. I have seen positive growth of family day care providers as a result of the nutrition training they receive through the Child Care Food Program. Providers who once thought Kool-Aid was a fruit juice are now teaching preschool children that bananas are better than candy. We receive letters from parents telling us their preschoolers now choose vegetables instead of desserts for snacks, because the day care providers are teaching nutrition education.

Many children receive their only nutritionally balanced meals at their day care home. In homes participating in the Child Care Food Program, all children receive the same balanced meals and snacks and the same nutrition education. If a means test were imposed it would segregate children into those of low-income and those above. Income eligible children could conceivably receive a nutritionally balanced lunch of vegetables, meat, fruit, bread, and milk, while other nonparticipants could receive a brown bag cold lunch of chips, twinkies, and a peanut butter sandwich. How would a nonparticipating four-year-old feel sitting next to someone eating an attractive fresh hot lunch and not understanding the difference?

I do not believe providers will cook separate meals for participants and nonparticipants. If she has only one income eligible child in her day care home and four are noneligible, I believe she will not take the time to fill out necessary paperwork, go to required training classes, and cook special meals. I think she will drop out of the Child Care Food Program entirely, deciding it is not worth her time. In this way many poor children would be hurt because they would not receive the nutritional benefits of the Child Care Food Program and their hunger would be increased. Having basic nutrition needs met is certainly at the very core of quality care for young children.

State Directors and Child Care Food Program Coordinators from the northeast section of the United States did a study in 1983 of 900 Child Care Food Program participants in New England. These administrators thought that the Child Care Food Program had made an important impact on children and they wanted to clarify the extent of that impact. The responses to their survey have led them to formulate a strong position in support of continued nutrition funding for family day care providers. Some of the results are as follows:

Since joining the Child Care Food Program, the number of homes increasing the amounts or items of food served to children are:

Item	Percent of Increase
Milk	40
Fruits and vegetables	70
Bread	48
Protein	47

If CCFP funds were no longer available, almost every family day care provider would reduce the nutritional component of their service. The range of reductions included:

Change	Percentage
Have children bring lunch	33
Reduce the amounts or items served	58

Fifty-two percent of the responding providers indicated that they would be forced to close and seek outside employment or raise their fees if the CCFP funds were no longer available. The following is a selection of quotations from the surveys which most clearly express common sentiments:

"I have a large family and I can help provide for the family and still be at home with my own children. Without CCFP it would not be worth it."

"I believe that there would be much higher costs resulting from skimping on adequate funding for children's nutrition than the lower short term costs of helping to provide it."

"These meals affect the growing children mentally, physically, and emotionally. You tell me what is a better saving than that?!!"

"There is no way you can save money on this program. We have already been cut and now pay out of our own pockets. Without CCFP there will be no day care. Without day care you have more on welfare."

"I feel as a parent as well as a provider this program has helped. We have learned a great deal from our agency's training sessions concerning good nutrition and the children in our homes receive well balanced, nutritious meals ... I can't even imagine how the government could think of cutting this program. If anything it should be increased."

When we lose a provider from the Child Care Food Program, we lose the chance to monitor her recordkeeping. sanitation in her home, the food she serves, and her interaction with children during feeding. More importantly, we also give up the chance to teach her.

When making home visits to providers our program representatives deliver a home visit lesson plan covering a variety of subjects concerning child nutrition. Several of the lesson plans include lessons designed for participation of children present during the visit. How could we exclude some children from the vegetable and fruit coloring sheet? If a means test were implemented would we exclude nutrition training for children altogether in order to avoid this discrimination?

In our State the licensing worker is required to visit the licensed home only once a year. Our Child Care Food Program

staff works very closely with our licensing unit of the Ramsey County Human Services Department. Their social workers depend on us to report cases of observed or suspected child abuse which we encounter on our three visits a year to Child Care Food Program participants. Also we report any needs the provider may have training in a certain area, such as first aid or special newborn care. The social worker often contacts a provider on her caseload because of our recommendation. Because of this close provider contact we are having an impact on the quality of care in family day care homes.

Family Day Care Home as a Small Business

The average family day care provider is a woman who works alone, 5 to 6 days a week, 12 to 14 hours a day. Her job is very demanding, emotionally stressful, and physically exhausting. She is the person dedicated to giving children the love, care, and bonding that is essential in the formative years. Eighty seven percent of family day care providers earn below the minimum wage. These are low-income women who are operating a small private business which utilizes their skills in caring for children.

In order to be a participant in the Child Care Food Program, providers must meet state regulatory requirements. Before food program participation many providers operated "underground" and did not pay taxes or make social security contributions. These women who choose to operate above ground will be independent in their retirement years because they earn social security credits.

Having more family day care providers above ground will also help parents because only licensed providers are registered with information and referral programs. Finding family day care still continues to be a problem, however, with approximately 75 percent of the profession operating underground.

Our agency has developed materials to assist family day care providers in running their family day care homes as a private business. We hold classes on tax procedures and recordkeeping. The classes are open to anyone but almost 100 percent of participants are enrolled in the Child Care Food Program.

If means testing takes place the government will erode the regulation of child care and family child care will become an even stronger sub-economy. Tax revenues could be decreased as much as $40,000,000. There would also be costs to sponsors for extra time and paperwork in implementing the test. Economically there is practically no net gain by imposing a means test on the Child Care Food Program for family day care.

The Means Test Before 1980

Prior to 1980 there was a maens test for families participating in the Child Care Food Program. I have talked with sponsors and providers about the numerous problems in the implementation of that system. One of the problems was that providers felt uncomfortable asking parents of their day care children for confidential income information. Many of their parents were friends, friends of friends, neighbors, or relatives. Providers were concerned that they would lose business by alienating parents in requesting income information. Parents were reluctant or refused

to complete income data forms and some removed their children from the day care homes. Some parents, whose children were not income eligible, were asked to pay more day care fees to cover the cost of food. These differences in fees within one day care home caused dissention among parents.

Both day care providers and sponsors had problems with record-keeping for the means test. Data on family income was difficult to obtain on short-term children. Records on the family day care parents' income had to be reviewed each month in order to determine the number of free, reduced, or paid children in each home. This was very time consuming. Some parents' income varied monthly (e.g. sales people on commission). There was burdensome paperwork for sponsors because an individual file was kept on the day care provider with income data of each parent that enrolled a child for even a day.

Sponsors had difficulty convincing providers to join the Child Care Food Program because of the burdensome paperwork, particularly the less educated providers who were intimidated by the complicated procedures. These low-income people were the very ones who most needed the reimbursement, training, and monitoring that the Child Care Food Program had to offer.

Child Care Food Program Future With a Means Test

In the program I work with we experience a 7 percent turnover of providers each month and a 15 percent turnover in children. The means test recordkeeping tasks for our program for 850 participants would be extremely costly, even without considering this rate of turnover. I estimate that our administration costs per participating home would increase by 32 percent if the means test were adopted, yet we probably would reach fewer providers, children, and parents.

I understand that one reasons for considering the means test is that it would make it possible for only low-income children to be counted on the Child Care Food Program. In our area low-income children are scattered throughout Ramsey County--not necessarily concentrated in one area. Many are located in day care homes where they are the single low-income child. These are the homes likely to drop participation in the program.

A concern for child abuse is surfacing across this nation, yet the very quality of child care is threatened by this proposal to cut the Child Care Food Program, the last source of federal support we have for family day care. The $50 million that might be saved by implementing a means test is a great price to pay when we consider the negative consequences which would ensure for families, children, and low-income providers. Those negative consequences are, in summary, less income for the already low income providers, lower nutritional standards for young children, less regulation of home day care, lost revenue for the government, and less available above ground day care homes for parents to choose from.

If the need for child care increases from 1985-1990 at the same rate as it did from 1980 to 1985, we could experience an increased demand of as much as 25 percent in the next 5 years. Considering this expectation we must not allow the means test to

be adopted. The means test would result in a virtual elimination of family day care from the Child Care Food Program. Family day care is the system that cares for the majority of children in day care. Without the Child Care Food Program, family day care as we know it will diminish. Without family day care the shortages of day care slots will be critical in the years to come.

STATEMENT OF KEVIN F. GILL, CHIEF ADMINISTRATOR
OFFICE OF SCHOOL FOOD AND NUTRITION SERVICES
NEW YORK CITY BOARD OF EDUCATION

Mr. Chairman, my name is Kevin Gill. I am the Chief Administrator for the New York City Board of Education's Office of School Food and Nutrition Services. Thank you for the opportunity to appear before you to discuss the Summer Breakfast/Lunch program. I am hopeful that I will be able to demonstrate to the subcommittee that the program is compatible with your concerns for budget integrity and prudence and that it is deserving of reauthorization and funding. The New York City board of Education has been functioning in an environment of fiscal austerity for some years now and has refined its ability to flourish even while operating within budgetary constraints. The management of our Summer Meals Program is directed toward ensuring the maximum nutritional benefits for our children while working within a philosophy of effective budgetary utilization.

To understand the impact of summer feeding on the children of America in general and of New York City in particular, one need not be an expert on nutrition. And one need not be an expert on the economy to see why excellent management of the program is consistent with the aim of reducing the deficit. One need only apply common sense to the facts at hand.

According to "The National Evaluation of the School Nutrition Program," a study done in 1984 by the United States Department of Agriculture, there are some children who would not receive the Recommended Dietary Allowances (RDA) of Vitamin A, Vitamin B6, Calcium and Magnesium without school lunch. We are now faced with the problem of hunger and malnutrition among those below the poverty level is getting worse. The report defines hunger and malnutrition as two categorical results of inadequate food consumption. Hunger is defined as a "chronic underconsumption of food and nutrients," while malnutrition is the term used to describe the "actual impairment of health" brought about by prolonged hunger. It is staggering to think that people in the United States are suffering from hunger. At the least we must protect our children from this. It is our view that the National School Lunch Program is a working solution to the problem of hunger among our country's children.

My colleagues have pointed out the sucess of the National School Lunch Program during the regular school year; I must point out the necessity for maintaining a program throughout the summer as well. We believe that it is essential to continue to supplement home provided meals during July and August in order to as-

sure and safeguard the continuum of our childrens' well-being. It is in our nation's self-interest. While there is a summer hiatus for many, the nutritional needs of our youngsters never have a day off. Their needs are all-year round. We are hopeful that by maintaining their nutritional needs during the summer, we will be providing sustenance to their academic achievement during the coming school year as well.

The Board of Education, as well as the Mayor's Office, has made participation in summer feeding and in school meals a top priority. The summer feeding allows us to coordinate this program with a number of other youth service programs in a most cost effective manner. The Summer Programs for Youth and The Summer Youth Employment Program operate in or near our feeding sites. These programs are particularly important in those areas where summer employment figures are low, they help to curtail the problems that result when youngsters have too much free time on their hands.

The Board of Education is the sole provider of breakfasts and lunches in New York City. We have been selected for a number of reasons, chief among them being the cost effective manner in which we deliver them. In addition to the fact that we combine so many federal, state and city programs for the young, our human and physical resources are so vast that we are now serving more than 120,000,000 meals per year. These resources and our enormous buying power enable us to spend more than half our reimbursement of food, thus ensuring that the taxpayer is getting a fair return for his investment.

Our summer feeding program has been audited for the past several years by various of the big eight accounting firms under the auspices of the United States Department of Agriculture and the General Accounting Office. In addition, perpetual audits have been independently conducted by the Board of Education's Auditor General, Comptroller of the City of New York and the Comptroller of the State of New York. Each final report is consistent in that they state that the program is well managed and not subject to abuse. Those commendations do not come easily. They result not only from the Board of Education's strict interpretation of the federal guidelines, but also from our application of modern management techniques. The reports have also helped us to maintain a national reputation for integrity and service.

During the summer of 1977, we served approximately 3,000,000 meals. Last summer we were able to expand our services to more of our needy youngsters and we served 8,500,000 meals. Since the program is limited to high poverty areas by the Federal government, these numbers support our stated goal of providing as many needy children as possible with a nutritious meal. We are anticipating serving approximately 9,000,000 meals, better than 200,000 per day this summer. While that may be considered substantial, there are another 450,000 eligible children who are not participating in our summer program. We are hopeful that with your support, we will eventually reach all of these youngsters.

Mr. Chairman, children are the nation's most valuable resource. We have come a long way in improving their nutritional health.

Let's not undo our school year efforts and success--reauthorize the summer feeding program!

STATEMENT OF EDWARD M. COONEY
CHILD NUTRITION SPECIALIST
FOOD RESEARCH AND ACTION CENTER

Mr. Chairman, I would like to thank you for the opportunity of testifying before this committee on behalf of the Food Research and Action Center. FRAC is a public interest, research, advocacy and legal organization whose purpose is to advocate for programs which will improve the nutritional status of low-income Americans.

Today we stand at the crossroads. Between 1946 and 1984 (with a notable exception in fiscal year 1982) this country has partaken in a truly noble and enlightened nutrition policy for our children. When Congress enacted the National School Lunch Act of 1946 and the Child Nutrition Act of 1966, it recognized and championed the notion that our national security and the strength of our agricultural community could be best served by "safeguarding the health of the Nation's children" through well-financed and well-managed child nutrition programs. However one views the fiscal year 1982 budget cuts, it is now abundantly clear that child nutrition programs have been cut to the bone. It is now clear that funding for certain programs needs to be increased. So we stand at the crossroads and we must choose which path to take. Do we reauthorize and make program improvements where appropriate or do we cut these programs once again?

Perhaps we should review what led to the creation of our child nutrition programs for guidance. The 19th century statesman Danton once remarked that "After bread, education is the first need of the people." The availability of food and education to the overall populace are indeed essential elements or cornerstones of the modern nation-state. Our own experience in World War II with the rejection of so many recruits for nutrition-related health problems demonstrated the need for a national approach to improve the nutritional status of children. This need to protect our children along with a desire to usefully distribute our agricultural abundance led to the development of our current programs.

Two characteristics stand out in our unique development of child nutrition programs. Thy are: a strong and vital Federal Government role and broad-based bipartisan political support for the programs. The Congress has sought to protect the nutritional status of <u>all</u> children by establishing a nutritional standard for the School Lunch Program which requires that over time a child will receive a lunch which provides 1/3 of the Recommended Dietary Allowances. Legislation has also been enacted to protect <u>all</u> low-income children by establishing national and uniform free <u>and</u> reduced-price eligibility standards. The federal role in child nutriton programs is important for all children, but is of particular significance for low-income children who may receive

anywhere from 1/3 to 1/2 of their total daily nutrient intake from the National School Lunch Program. (USDA, SEA, The National School Lunch Program and Diets of Participants from Low-Income Households, Hyattsville, MD: Consumer Nutrition Center, 1981.)

The second unique characteristic of child nutrition programs is the strong bipartisan support which the programs have received over the years. In the 1970's Senators Dole, McGovern, Percy, and Humphrey and in more recent years Senators Boschwitz and Huddleston and now Senators Hawkins and Harkin all have taken leadership roles on behalf of child nutrition. In the House, Chairman Perkins and Representatives Quie and Ashbrook, and Represenatives Miller, Kilde, Goodling and Jeffords have all stood tall on child nutrition issues.

But which road do we take? What message do we send forth from the Senate Agriculture Committee to the school food authorities around the country? In each fiscal year since fiscal year 1980, the administration has recommended cuts of one type or another. Last year, this authorization committee in effect ceded its jurisdiction over the five child nutrition programs up for reauthorization to the Appropriations Committee. Yet, Senators Cochran and Huddleston offered bills (S. 1913 and the later Huddleston bill S. 2607) which would have made modest program improvements and reauthorized the programs. Also, last year, the Boschwitz amendment to S. 2722 would have made significant low cost improvemetns in School Lunch, Breakfast, Child Care, Special Milk, and the Nutrition Education and Training Programs. Currently pending on the Senate floor is a leadership substitute budget proposal which cuts $400 million from child nutrition programs as well as an amendment from Senator Hawkins to delete the proposed $400 million cut. Mr. Chairman, we need to send a clear and unambiguous messge to the nutrition community. The Food Research and Action Center urges you to: Reauthorize the Special Supplemental Food Program for Women, Infants and Children (WIC), the Summer Food Program, the Commodity Distribution Program, the Nutrition Education and Training Program, and the State Administrative Expense Program through fiscal year 1988; and make low cost, high return investments in improvements in certain child nutrition programs.

We recommend program improvements in the following areas:

Improvement of the School Breakfast Program Meal Pattern

We recommend additional funding for improving the nutritional quality of the school breakfast meal pattern by adding 6 cents to each breakfast reimbursement and requiring a greater variety of fruits and vegetables and whole grains, as well as additional protein foods.

We endorse this approach for a number of reasons:

(1) A recent nationwide study shows that the nutritional quality of school breakfasts should be improved. In 1979 the Senate passed a resolution, commonly referred to as Senate Resolution 90, which asked a number of questions about the impact of school meals on children and their families. A number of studies were initiated in response to this resolution, but one of them specifically looked at the nutritional impacts of the School

Lunch, Breakfast, and Special Milk Programs. It is called the National Evaluation of School Nutrition Programs, and was completed in April 1983.

This study reported two major findings concerning the School Breakfast Program. First, the program was shown to increase the likelihood that children will eat breakfast. As the study points out, this is a major nutrition benefit in that children who eat a breakfast are substantially better nourished than those who skip breakfast. Projections made from this study's data show that over 600,000 students who currently skip breakfast would eat it if the program were available in their schools.

Second, the school breakfast is superior in calcium and magnesium levels to breakfast children eat elsewhere, but contains less vitamin B6, vitamin A and iron. Since vitamin A, vitamin B6 and iron are nutrients for which large proportions of children do not obtain their Recommended Dietary Allowances (as pointed out in USDA's National Evaluation), it makes sense to improve the nutritional quality of the Breakfast Program in such a way that: the consumption of these nutrients is increased; and the breakfast eaten at school is closer in nutritional quality to breakfasts eaten at home.

In fact, the National Evaluation final report recommends that "the School Breakfast meal pattern should be examined and improved." It was surprising to all of us when USDA's original response to this recommendation fiscal year 1984 was to suggest terminating School Breakfast as a categorical program and placing it in a block grant with reduced funds. This legislative recommendation conflicted with the findings of USDA's report.

The National Evaluation results do not tell us which foods made the nutritional difference between school breakfasts and those eaten elsewhere. However, it is likely that it was the meat/meat alternate. First, because the School Breakfast meal pattern does not require the service of a meat/meat alternate. (It does require a cereal or bread product, juice, fruit or vegetable, and one half pint of milk.) Second, because foods not currently included in school breakfasts, such as cheese and eggs, are good sources of vitamin A, and meat, poultry, fish, and peanut butter are good sources of iron and vitamin B6. The addition of some form of a meat/meat alternate to the meal pattern, along with greater variety of fruits, vegetables, and whole grain would improve the nutritional quality of school breakfasts.

(2) Participation in the Breakfast Program by students and schools will probably increase with this provision because it will increase the variety and appeal of the Breakfast Program and will increase reimbursement to schools. This increase in participation by students and schools is very important, especially considering two of the National Evaluation's findings: that the presence of a School Breakfast Program increases the chances that children will eat breakfast, and that the Program is found predominantly in schools located in low income areas and serves primarily poor children. In fact, 84 percent of the children who participate in the Breakfast Program are from families eligible for free meals, and 89 percent from families eligible for free or reduced price meals.

(3) Breakfast is a very important meal f children, (as well as parents and legislators). We have two kinds of evidence that this is the case. First are the studies of the impact of breakfast, or the lack of it, on children's learning ability. Dr. Ernesto Pollitt of the University of Texas, in a 1978 review of the literature on the impact of school feeding programs on education sums up the evidence on breakfast as follows: The studies that focused on the short-term effects of hunger or morning feeding suggest that the provision of breakfast may both benefit the student emotionally and enhance his/her capacity to work on school-type tasks. In addition, a recent carefully controlled study by Dr. Pollitt (1981) of the impact of skipping breakfast on thirty-four well-nourished nine and ten year olds showed an adverse effect on the accuracy of responses on problem-solving (Pollitt E, Leible and Greenfield D: Brief fasting, stress and cognition. Am. J. Clin. Nutr. 34:1526-1533, 1982). The second kind of evidence is anecdotal, and that is the reports we at the Food Research and Action Center get from superintendents, principals, school nurses, and teachers. They tell us again and again how children's reading scores increase, how relationships between students of different ages improve in the morning, how students have less stomachaches, and how much better children pay attention in class. Recently FRAC's nutritionist was in West Virginia and was told by a long-time school principal that starting a Breakfast Program in her school had more positive effects than any other thing she had accomplished. We should remember that there are many children to whom the breakfast provided at school is essential, and that this is true now more than ever with continuing high employment in states like West Virginia. This provision was a part of the Boschwitz amendment to S. 2722 and may be part of the 1985 Harkin Farm Bill.

The Special Supplemental Food Program for Women, Infants and Children

We would support the initial thrust of last year's Boschwitz amendment to increase the fiscal year 1986 authorization level by $75 million over the CBO baseline. This would allow for, but not require, a funding level of $1.644 billion in fiscal year 1986. Currently, WIC serves 3.1 million participants, but we know that approximately 9 million people are eligible for benefits. We also know that for every $1 spent on prenatal care, we can save $3 in future medical costs. If appropriated, the $1.644 billion funding level will allow WIC to grow by about 150,000 participants.

On a more urgent note, it is our understanding that the Administration is going to request only $1.424 billion of the full $1.5 billion that Congress appropriated for WIC for fiscal year 1985, thereby denying benefits to nearly 240,000 current WIC participants. We urge members of this committee to take all appropriate actions immediately to ensure that the administration complies with the Congressional intent to expend all of the $1.5 billion in fiscal year 1985 a stated in the fiscal year 1985 Continuing Appropriations Resolution.

Summer Food Service Programs for Children - Sponsorship

There are 11 and one-half million children who receive a free or reduced-price school lunch during the 9 months of the school year. Yet the Summer Food Program which is designated to provide these children with the same nutritional lunch during the summer only served 1.4 million children in July 1983. A substantial barrier preventing expansion of this program is that nonprofit private agencies like community action agencies, Boy Scouts, and local churches are prohibited from being program sponsors. The only eligible sponsors are public entities, school food authorities and camps. If a school system or the city government declines to operate a program, none of the children in these communities will be served. We believe that an approach allowing limited participation by some private nonprofit agencies will help provide needed meals for many of the children currently unserved. We would also recommend that the urban bias of the program be changed so that poor children in largely rural areas could be served. Currently programs can only operate in areas where 50 percent or more of the children receive a free or reduced-price lunch. There are many poor children who live in rural areas. A change in the percentage in the area eligibility test from 50 percent to 33 1/3 percent would allow rural areas to participate on a more equal basis with urban areas. This provision may also be part of the 1985 Harkin Farm Bill.

Additional Meals for the Child Care Food Program

Another program upon which many low income families depend is the Child Care Food Program (CCFP) for preschool children in family day care homes and day care centers. Unfortunately, children who stay at a day care center all day may only receive two meals and one snack because of cuts made in federal support for the Child Care Food Program. We would recommend adding a meal and a snack back to the Child Care Food Program. Let me tell you why.

The nutritional evidence is persuasive. Before the changes occurred in the number of meals that could be served, USDA carried out an evaluation of the nutritional impact of CCFP through Abt Associations in Massachusetts which showed highly positive effects. In fact, their report stated:

> "The differences between participating and non-participating day care centers (in meal quality) are striking. For every measure examined, participating centers have statistically significantly higher levels of meal quality than non-participating centers. Equally striking is the finding that participating family day care homes also serve meals of superior nutritional quality, and that these meals generally contain foods of higher quality and variety than those served by non-participating centers."

To be more specific, day care facilities that participated in CCFP provided a higher proportion of the Recommended Dietary Allowances than nonparticipating centers, had superior food preparation, handling and sanitation techniques, served significantly more foods rich in Vitamin A and C and iron, served fruits, vegetables, and juices 129 percent more often, whole

grain products 50 percent more often, and milk more frequently at snacks and lunches. They also served significantly fewer concentrated sweets and sweet dessert foods and had care-givers who talked more often to children about nutrition and encouraged children to try new foods.

The results of this report are corroborated and elaborated upon by a survey of CCFP sponsors in the Northeast region carried out by the Connecticut Department of Education. The survey found that the quality and quantities of foods served in day care homes improved with their participation in CCFP, because of the funding for food and because of an increase in the availability of good nutrition information that comes with the program. As the New England state directors point out in their survey report, "This knowledge becomes twice as important when you realize that the information is often passed on to the parents of the children because of the close relationship and contact that is possible in family day care."

They also point out another benefit of CCFP in their report:

> The availability of CCFP funds has enabled many providers to remain in operation and to keep their fees at an affordable level. The accessibility of affordable day care has freed many families from low income status.

This is not surprising when one considers the makeup of the parents using the day care homes participating in CCFP in the Northeast region--69 percent held blue-collar or unskilled jobs and 40 percent represented one-parent families.

Other program improvements which we believe have special merit include: lowering reduced-price lunch and breakfast charges to children of working parents; adding $5 million the Nutrition Education and Training Program so that each State would have sufficient resources to employ a full time NET coordinator; providing the Special Milk Program for kindergarteners; and introduction and passage of legislation implementing the establishment of a national system of nutrition monitoring--a concern of the nutrition community and the President's Task Force on Food Assistance.

Mr. Chairman, I have attached as an addendum, FRAC's objections and observations on the devastating impact of the Administration's initial cutback proposals and some comments from the American School Food Service Association on the revised Senate leadership budget alternative as it affects child nutrition programs which FRAC endorses.

Thank you for the opportunity of addressing the Committee today, I hope the Committee will choose the positive path to future nutritional health for our Nation's children.

Agudath Israel of America
Commission on Legislative and Civic Action
New York, NY

May 1, 1985

Hon. Robert Dole
Chairman
Subcommittee on Nutrition
United States Senate
Washington D.C. 20510

Dear Senator Dole:

Agudath Israel of America, which speaks for the more than 500 Orthodox Jewish elementary and secondary nonpublic schools throughout the United States, has carefully analyzed the Administration's Fiscal Year 1986 budget proposal as it relates to Child Nutrition Programs, the subject of a subcommittee hearing on May 2. We, along with other Americans, share the Administration's concern over the size of the federal budget. Nevertheless, we do not agree that Child Nutrition Programs should be disproportionately cut.

The 1981 Omnibus Budget Reconciliation Act made changes that considerably reduced funding for child nutrition programs. Included were reductions in Federal meal subsidies, alternations in income elgibility for free and reduced price meals, termination of the food service equipment assistance program, a restriction on participation by nonpublic schools where average annual tuition exceeds $1,500, changes in the application process, and other limitations on program participation. As a result, some 2,700 public and nonpublic schools nationwide terminated their participation in the program affecting about 3.2 million children, approximately one-third of whom were from low-income families.

The Administration now proposes a further $684 million or 17 percent reduction in child nutrition programs, $497 million of which would be cut from the National School Lunch Program through program cuts and an freeze in food price inflation adjustments. This may drive an additional 8,000 schools and 6 million students from the program.

The lunch program is particularly important for Orthodox Jewish parents, who already shoulder the burden of expending large sums for such basics as kosher food and tuition for yeshiva education. Moreover, youngsters attending yeshivos have a school day that is 3 to 4 hours longer than youngsters in other schools. A hot nutritious lunch, therefore, takes on increased importance.

The Commission on Legislation and Civic Action of Agudath Israel, therefore, repectfully requests consideration of the following:

--Agudath Israel and the yeshivos it represents strongly oppose the elimination of federal cash and commodity reimbursement for students with family income above 185 percent of the poverty line. This part of the Administration's proposal would lower the federal subsidy by 24 cents per meal for approximately half of

all lunches served nationwise and would, therefore, jeopardize the very existence of the National School Lunch Program.

What the Administration calls a "high income subsidy" is actually a grant-in-aid that supports the program's infrastructure and helps to meet fixed overhead expenses. Eliminate the grant and a school may lose the kitchen, staff, and equipment that feeds all its students, including poor children. Those schools with the highest proportion of paid lunches (or lowest proportion of free and reduced-price lunches) will be most dramatically affected by the elimination of the paid subsidy, and thus at great risk of terminating the program entirely.

--We oppose the one year freeze on the annual cost of living adjustments in Federal reimbursements for the School Lunch, School Breakfast, and Child Care Food Programs.

Based on inflation estimate of 5 percent, such a freeze would translate into a cut to participating schools of 6 cents per free meal and 4 cents per reduced-price meal served. Schools will therefore be forced to absorb higher meal costs while still maintaining required nutritional standards. The freeze would most severely impact schools which serve disproportionate shares of low and moderate income students.

--We oppose the proposed termination of U.S. Department of Agriculture administration of the Summer Food Program in those states which are not prohibited by law from administering the program themselves. Though we agree that it would be far better if all states administered this program, it must nevertheless be noted that the program is a Federal program, it must, nevertheless, be noted that the program is a Federal program with final responsibility to our nation's children in USDA.

--We strongly support legislation which would allow a nonpublic school to participate in the school lunch program regardless of the school's average annual tuition. The legislation authorizing the $1500 tuition cap, which was approved by the 97th Congress as part of the Omnibus Budget Reconciliation Act, failed to take into consideration the great sacrifices made by many low-income families to obtain the education they believe is best suited to their children's needs. Moreover, at least in the context of the shcools we represent, our yeshivos do not exclude children from low-income families who cannot afford to pay full tuition. Given the scholarship programs available, it is clear that tuition rates in nonpublic schools do not reflect the economic circumstances of the students' families.

The 1981 Omnibus Budget Reconciliation Act, combined with inflationary annual increases, have negatively affected the financial viability of the lunch program. The Adminstration's proposed fiscal year 1986 budget will further threaten the program in many schools. This would be a tragic development for the nutritional well-being of our children and for the program as as whole.

Mr. Chairman, we respectfully request that this letter be entered into the record of hearings on child nutrition which were held by the subcommittee.

Thank you for your consideration.

Sincerely, Steven Prager, General Counsel

[The following information was submitted by Senator Helms and referred to in his oral presentation:]

BACKGROUND ON PROPOSED ELIMINATION OR REDUCTION OF FEDERAL MEAL SUBSIDIES FOR NON-POOR CHILDREN

(Prepared by the Staff of the Senate Committee on Agriculture, Nutrition, and Forestry, May 1, 1985)

National School Lunch Program

- Permanently authorized by National School Lunch Act (1946); Federal expenditures were almost $3 billion in fiscal year 1984, the highest amount in the history of the program.
- Provides Federal reimbursements to schools for lunches served to all children; three types of reimbursements are made on behalf of participating children according to three income related categories--"free", "reduced-price", and "paid". These income eligibility standards are indexed each July 1. Following are the income eligibility standards for free and reduced-price lunches for the year beginning July 1, 1985 as compared with 100 percent of the poverty level.

INCOME ELIGIBILITY STANDARDS FOR FREE AND REDUCED-PRICE LUNCHES IN THE SCHOOL LUNCH PROGRAM
(July 1, 1985 -- June 30, 1986)

Family Size	OMB Poverty Income Level, 1985*	Free Meal Eligibility (130% of Poverty Level)	Reduced Price Eligibility (185% of Poverty Level)
1	$ 5,250	$ 6,825	$ 9,713
2	7,050	9,165	13,043
3	8,850	11,505	16,373
4	10,650	13,845	19,703
5	12,450	16,185	23,033
6	14,250	18,525	26,363
7	26,050	20,865	29,693
8	17,850	23,205	33,023
Each Additional person	+1,800	+2,340	+3,330

* Federal Register, v. 50, March 8, 1985. P. 9518.

Estimates for 130 and 185 percent of poverty computed by Susan Schillmoeller, Education and Public Welfare Division, Congressional Research Service, Library of Congress, April 4, 1985.

- Students from families with incomes above 185 percent of poverty are eligible for a "paid" lunch. While the student pays for the lunch, the school also receives a Federal reimbursement for these meals -- effective July 1, this will be 24.75 cents per lunch.

Reimbursement Rates

- Reimbursement rates are indexed annually on July 1. Following are the reimbursement categories and the levels in effect beginning July 1, as reported by the Congressional Research Service of the Library of Congress:
  -- Section 4 "basic assistance"--a flat per-meal reimbursement which is the same for all income categories (estimated to be 12.5 cents per meal effective July 1).
  -- Commodity assistance; a flat per-meal reimbursement which is the same for all income categories (estimated to be 12.25 cents effective July 1).
  -- Section 11 "special assistance"--differing amounts available only for free and reduced-price lunches (estimated to be 118.5 cents for free and 78.5 cents for reduced-price, effective July 1).

Thus, the projected basic rates for all Federal subsidies at each income category are as follows:

PROJECTIONS OF PER-MEAL REIMBURSEMENTS*

July 1, 1985 -- June 30, 1986

(In cents per meal)

Free	143.25
Reduced-Price	103.25
Paid	24.75

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*Source: Congressional Research Service

/o There is no charge to a student who is receiving a free meal; a maximum charge of 40 cents may be made for a child receiving a reduced-price meal; and no maximum charge applies for a student receiving a meal reimbursed at the "paid" rate. However, the average national charge for paying students is 82 cents according to the Department of Agriculture.

- All public schools may participate in the school lunch program, and about 95 percent of all public schools (representing 98 percent of all public school children) do so. The only private schools that may participate are those with tuition charges at or below $1500 per year. 29 percent of all private schools participate in the program, providing access to 41 percent of all children attending private schools. Together, these percentages represent about 90 percent of all schools--public and private--and 92 percent of all school children.
- An average of approximately 56 percent of all children in schools where the program is available regularly participate in the school lunch program.
- Available participation information indicates that 44.5 percent of school children participating in the lunch program receive free lunches, 6.5 percent receive reduced-price lunches, and 49 percent participate as paying children.

- Federal expenditures on behalf of each category are as follows: 77 percent ($2.3 billion in FY 1984) for free, 8 percent ($236 million) for reduced-price, and 15 percent ($450 million) for paid lunches.

Administration's FY 86 Budget

The Administration's FY 86 budget for child nutrition program proposed to target Federal support for child nutrition programs to low-income children. It would do this by eliminating all Federal support (i.e., reimbursements) for meals (so-called "paid" meals) served to non-poor children in schools and child care facilities. Under the Administration's initial budget, this elimination would include both cash and commodity assistance. The elimination of both cash and commodity assistance on behalf of non-poor children is included in the budget resolution reported from the Senate Budget Committee (S. Con. Res. 32).

In the Senate/Administration Deficit Reduction Plan (announced April 15) the proposal has been modified to assume elimination of the cash assistance, but to retain the commodity assistance, for children from non-poor families. Savings from the plan would be $375 million in FY 86, $520 million in FY 87, and $666 million in FY 88, for a 3-year total of $1.561 billion.

FEDERAL CASH AND COMMODITY ASSISTANCE RATES FOR PAID LUNCHES

July 1, 1985 -- June 30, 1986

(In cents per meal)

	Current Law	Admin. FY 86 Budget	Change from Current Law	Senate/ Admin.	Change from Current Law
Cash	12.5	--	-12.5	--	-12.5
Commodities	12.25	--	-12.25	12.25	None
Total	24.75	--	-24.75	12.25	-12.5

Arguments in Favor of Eliminating or Reducing the Federal Subsidy for Non-Poor Children

- During a period when the Federal deficit is $200 billion annually, the Federal Government simply can no longer afford to subsidize meals to non-poor children. While the subsidy per child, 24 cents, is relatively small, the cumulative costs to taxpayers is over $600 million annually.
- How equitable is it for Americans earning far less than $19,000 per year to pay taxes to support a Federal program for those making above $19,000 per year, including many (75%) making over $26,000.
- Most students who participate in the "paid" category are from families well above any measure of poverty or financial need. According to the Department of Agriculture, almost 75 percent of students in the paid category are from families above 250 percent of poverty--or over $26,525 for a family of four. The average family income is $33,000.

- These nutrition programs will continue; the remaining subsidy for free and reduced-price children constitutes about 85 percent of the total costs of the school lunch program and would be continued. In the breakfast program, 90-95 percent of the reimbursements would be continued.
- Additionally, "bonus" commodities--those not required by law, but distributed at the Secretary's discretion--would continue, providing a per meal Federal subsidy of about 12 cents per meal for all children, including the non-poor.
- Even if the entire cost of the eliminated subsidy were passed on to the paying student, the price of paid meal would increase by less than 25 cents, under the Budget Committee plan, from an average of 82 cents to about $1.07 (or to 94 cents under the Senate/Administration Plan). Either price would still represent a bargain for school children, and their parents without imposing a financial burden on Federal taxpayers.
- Claims from school food personnel about school and student "drop-out" have proven greatly exaggerated in the past. The 1981 changes have not had the disastrous effects which were foretold. Rather, the program has been focused more children receiving free and reduced-price lunches, as demonstrated by a 1984 GAO study.
- Supposed "horror stories" of these drop-out issues neglect to look at the long-term pattern which is that students who initially leave the program because of the increased price ultimately return, resulting in little net reduction in participation.
- What little reduction may occur would not likely have any significant nutritional impact. Studies have shown that participants in the higher income category has no better diets than nonparticipants.

Other Provisions

Both the Budget Committee plan the Senate/Administration plan treat paid meals served in the school breakfast program and the child care food program in the same way as proposed for the lunch program--either eliminated altogether (Budget Committee) or elimination of cash assistance (Senate/Administration plan).

Both plans also include an assumption that a "means test" will be reinstated for the portion of the child care food program that operates through day care homes. These homes have, since 1980, operated in such a way that a reimbursement is made for all meals served to children in day care homes without regard to the income level of their parents. Unlike all other child nutrition programs, the Federal reimbursements, since 1980, have been a standard, fixed amount which do not vary according to the income level of the children's family. In the intervening years, the income distribution of participating children has shifted dramatically. Prior to 180, about two-thirds of the children were from families with incomes below 185 percent of poverty. However, more recent surveys have indicated that approximately two-thirds are from families with incomes above 185 percent of poverty--or $19,703 for a family of four, effective July 1, 1985.

The Inspector General of the Department of Agriculture has urged the reinstatement of a means test in the day care home portion of

the program. A similar recommendation was made by the President's Task Force on Food Assistance in January 1984. Most recently, the National Advisory Council on Child Nutrition has recommended the reinstatement of the means test. No impact would occur in homes serving primarily low-income children.

[Reprint of report from Center on Budget and Policy Priorities, Robert Greenstein, Director]

THE IMPACT OF BUDGET CUTS ON SCHOOL LUNCH PARTICIPATION: AN ANALYSIS OF THE DATA

In her February 28 testimony before the House Committee on Education and Labor, USDA Assistant Secretary Mary Jarratt made two basic points about school lunch participation and the 1985 budget cuts: 1) that the "predictions of catastrophe" made in 1981 did not materialize, and 2) that the budget cuts caused a participation drop of just 600,000, with most of the decline coming in non-poor areas. Neither contention stands up under careful scrutiny.

1. "Predictions of catastrophe"

Over the past month, a number of school lunch administrators across the country have voiced concerns that the proposed elimination of Federal support for paid meals would cause large participation declines and induce numerous schools to drop out of the program. In response to these comments, Assistant Secretary Jarratt testified:

> "We are not impressed with such predictions of catastrophe. these claims were made in 1981 but did not materialize."

The Assistant Secretary then proceeded to quote from testimony presented by the American School Food Service Association and the Food Research and Action Center at a March 10, 1981 hearing held by the Committee. The testimony she quoted warned of thousands of schools closing their programs and millions of children no longer receiving lunches. The history of the past few years show this didn't materialize, Ms. Jarratt said. This, she argued, showed that dire predictions concerning the Administration's new school lunch proposals should be ignored as well.

This sounds straightforward enough -- but it is not. For the March 1981 ASFSA and FRAC testimony Jarratt cited did not concern the provision that were enacted many months later in the summer of 1981. To the contrary, this testimony concerned the Administration proposals that were rejected in 1981 -- proposals to completely eliminate all Federal support for paid meals. There should be no surprise that the predictions of ASFSA, FRAC, and other did not fully materialize -- since the provisions in question were never enacted.

Moreover, as will be shown below, the declines in participation resulting from the 1981 budget cuts were far larger than the Assistant Secretary's testimony acknowledges.

2. The budget cuts and school lunch participation

The Assistant Secretary contended that the budget cuts caused a participation drop of only 600,000 children and that most of the drop occurred in non-poor areas. She cited the following figures in support of this claim:

- She said that school lunch participation averaged 25.8 million in FY 1981 and is expected to average 24.0 million in FY 1985, for a decline of 1.8 million.
- She also stated that 1.1 million of this 1.8 million decrease is due to declining school enrollments and that 50,000 - 100,000 of the decrease is due to the exclusion of private schools with tuitions over $1500. According to her testimony, this leaves a participation decline of just 600,000.

These statistics are not accurate, however. First, while lunch participation was 25.8 million in FY 1981, there is no strong basis for the estimate that it will average 24.0 million in FY 1985. In FY 1984, the actual participation figure was just 23.4 million. In FY 1983, it was 23.2 million.

The 24 million figures Ms. Jarratt is using for FY 1985 is simply an Administration "guesstimate." Actual data showing participation in FY 1985 will not be available until next fall.* While this "guesstimate" may be useful to the Administration from a political standpoint, it cannot be utilized in a hard, objective analysis of changes in school lunch participation. Only actual data -- data that is tainted neither by guesstimates nor political considerations -- can legitimately be used.

The latest fiscal year for which actual data is available and complete is FY 1984. It shows participation at 23.4 million. So the decline from FY 1981 to FY 1984, as shown by USDA's own data, is 2.4 million. The next step is to ascertain how much of this 2.4 million decline is due to declining school enrollments and how much is due to budget cuts.

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*While preliminary data for the first four months of FY 1985 are available now, these data cannot be used. Participation for the four-month period from October-January is always higher than average participation for the fiscal year as a whole. This has been true every year since FY 1980. Participation figures from these months consequently cannot be used as an indicator for FY 1985 participation as a whole. (Moreover, it is interesting that preliminary data for October 1984-January 1985 show that average participation for these four months was below 24 million. Since October - January participation is always <u>higher</u> than participation for the fiscal year as a whole, this is a good indication that the 24 million guesstimate cited by Jarratt is too high.)

Declining Enrollments

In her testimony, Jarratt says that enrollments fell 4.4% from September 1980 (just before the start of the 1981 fiscal year) to September 1982 (just before the 1982 fiscal year). Hence a 4.4% school lunch decline would be expected just because of declining enrollments, and even in the absence of budget cuts. A 4.4% decline in enrollment translates into a 1.1 million school lunch drop, she says. This 1.1 million lunch decline had no relationship to the budget reductions, her testimony says.

This is one of Assistant Secretary Jarratt's most serious errors. An analysis issued tin February 1985 by the Congressional Research Service shows that U.S. school enrollment decline 1.5% since 1981, not 4.4% (the CRS analysis is attached at the end of this paper).

It is unclear how Jarratt came up with the 4.4% figure. What she may have done is to confuse the decline in overall U.S. school enrollment, which was much less than 4.4%, with the decline in enrollment in those schools participating in school lunch program, which was quite close to 4.4%. This distinction is crucial. If the budget cuts led schools to drop out of the school lunch program, as some number of schools did after 1981, then enrollment in school lunch program schools would indeed drop. Such a decline in enrollment would itself be a direct result of the budget cuts. To look at declining enrollments in school lunch program schools and claim that this has nothing to do with the budget cuts would be entirely invalid.

What needs to be done instead is to look at the decline in enrollment in U.S. schools in general, rather than just in lunch program schools. If a school either closes of loses students, this decline will show up in the overall school enrollment figures. But if a school drops out of the lunch program, due to the budget cuts, this will <u>not</u> show up as a decline in overall school enrollment. This, this is the correct figures to use.

What happens when this is done properly? As noted, the CRS analysis shows that U.S. school enrollment has declined 1.5%, since 1981.* This means that a drop of only 1.5% in school lunch participation since FY 1981 can be attributed to decreasing enrollments. The rest of the participation drop is due to budget cuts.

The 1.5% enrollment decline translates into a 387,000 participation drop (1.5% x the FY 1981 school lunch participation of 25.8 million equals 387,000). Hence, approximately 400,000 of the 2.4 million participation decline is attributed to falling enrollments. The remaining 2 million decline is from the budget cuts.

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*The CRS data covers school enrollments through FY 1983. Enrollment data for FY 1984 is not yet available, but is not likely to affect this analysis appreciably. This is because school enrollments appear to have stopped declining after FY 1982. Enrollments declined just one-tenth of one percent from FY 1982 to FY 1983, and FNS' own budget documents state that enrollment is now increasing again.

Who are these 2 million children?

The Assistant Secretary's testimony states that 50,000 - 100,000 were students in private schools that charged $1,500 or more in tuition. This leaves 1.9 - 1.95 million children to be accounted for.

Although Jarratt contended that few of these children were from the lower income categories, USDA's own data decisively refute her on this point. The Department's data show that 12.5 million children received free or reduced-price meals in FY 1981, while 11.8 million received these meals in FY 1984. This is a decline of 700,000 in the free and reduced-price categories.

This decline of 700,000 in the low income categories is entirely due to budget cuts. Declines in school enrollment are not a factor in the free and reduced-price categories, because the sharp increases in the number of children in poverty in these years more than offset the effect of declining enrollments. Both Census and GAO data show that the number of low income children in school went up, not down, during this period. Census data show that the number of school-age children (age 6-17) below 175% of the poverty line when up 400,000 from 1981 to 1983. The GAO's report on school lunch participation published in April 1984 showed that the number of families with school-age children who had incomes below 185% of the poverty line rose 300,000 from 1981 to 1982. (1982 is the last year GAO had data for; the overall poverty population has increased further since then).

Consequently, none of the drop in free and reduced-price meals can be attributed to a decline in enrollment of low income children, since no such decline in enrollment occurred. The full 700,000 decline in free and reduced-price meals must be attributed to the budget cuts. This indicates that low income impacts of the cuts were substantial.

Are Free Meals Now on the Rise?

The Jarratt testimony not only fails to acknowledge the substantial decline in free and reduced-price meals resulting from the 1981 budget cuts, but is also contains the inaccurate statement that "more poor children are expected to receive free meals in 1985 than in 1981." In 1981, 10.6 million children received free meals in an average month. For Jarratt's statement to be correct, free meal participation in 1985 will have to surpass 10.6 million.

USDA data for the first four months of 1985 show that participation averaged just 10.1 million during these months. Moreover, the first four months of the fiscal year are peak participation months -- average free meal participation for the fsical year as a whole has been below partipation for the first four months for every one of the past five years. As a result, free meal particiption for 1985 as a whole is likley to end up below 10 million, or more than 600,000 below 1981 levels.*

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*Free lunch participation in January 1985 was just 9.98 million, the lowest participation level for any January since 1979. Yet the number of school-age children in poverty is considerably higher today than it was in 1979.

Why then does Jarratt claim that free meal participation in 1985 will exceed 1981 levels? Apparently because her testimony is designed to conform not with FNS's own participation data, but rather with the Administrations' budget. The budget predicts, in what may be a politically motivated estimate, that free meal participation will jump to 10.8 million this year. But USDA's own participation data for the first four months of the year conclusively demonstrate that the participation estimates printed in the budget are off-base and should be discarded.

Conclusion

USDA data show that lunch participation dropped 2.4 million from FY 1981 to FY 1984. 400,000 of this drop is due to declining enrollment. Two million is due to the budget cuts.

700,000 of the 2 million drop came in the free and reduced-price categories. The remaining 1.3 million came in the paid category. Between 50,000 and 100,000 of the drop occurred in private schools over the $1,500 tuition limit. Presumably, most of these 50,000 - 100,000 children were in the paid category.

One additional point that should be made concerns the oft-cited figure of a 3 million decline in school lunch participation, a figure that Ms. Jarratt challenged. USDA data show that there has indeed been an overall drop of slightly more than 3 million -- but this is since FY 1980 rather than since FY 1981. Lunch participation fell from 26.6 million in FY 1980 to 23.4 million in FY 1984, a decline of 3.2 million. 800,00 of this decline came from FY 1980 to FY 1981, while the other 2.4 million occurred since FY 1981. To be sure, the participation decline between FY 1980 and FY 1981 cannot be attributed to the budget cuts that were enacted in 1981 -- but that does not mean that it cannot be attributed to budget cuts at all. Reductions in the school lunch program were also enacted in 1980. Since there was no enrollment decline between FY 1980 and FY 1981, most or all of this 800,000 decline appears to be due to the 1980 budget cuts. This means that from FY 1980 to FY 1981, budget cuts were responsible for a total participation drop of approximately 2.8 million -- which is quite close to the 3 million figure often cited (the 800,000 decline from FY 1980 to FY 1981 plus the 2 million decline from FY 1981 to FY 1984).

Finally, it should be noted that participation has declined in the school breakfast program as well. USDA data shows a decline of 380,000 children from FY 1981 to FY 1984. Over 60% of the decline in the breakfast program came in the free and reduced-price categories. There were 230,000 fewer children receiving free and reduced-price breakfast in FY 1984 than in FY 1981.

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